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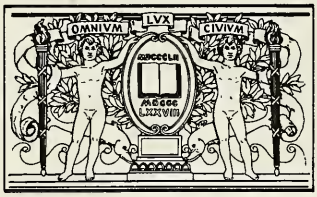

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Briefing Documents

Audits

CITY OF BOSTON
THOMAS M. MENINO, *Mayor*

BOSTON REDEVELOPMENT AUTHORITY
PAUL L. BARRETT, *Director*
CLARENCE J. JONES, *Chairman*
MICHAEL F. DONLAN, *Co-Vice Chair*
CONSUELO GONZALES-THORNELL, *Co-Vice Chair*
JAMES K. FLAHERTY, *Treasurer*
JOSEPH FISHER, *Secretary*

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Certified Public Accountants

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1992

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1992

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certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1992 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in Note H to the financial statements, the Authority is currently in default on its note payable to the General Services Administration (GSA) related to the acquisition of the Custom House Tower. The Authority is attempting to resume negotiations with the GSA to restructure the terms of the note and to cure the default. Management of the Authority believes the restructuring of the note on the terms proposed by the Authority is necessary to resume negotiations with the designated developer and for the developer to obtain financing arrangements for the proposed Custom House Tower hotel complex. To the extent that the Authority cannot procure funding by the resale of the property and/or the GSA declares the note immediately due and payable, it is the opinion of the Authority's management and its outside counsel that it is probable that the City of Boston is ultimately responsible for the GSA debt under certain agreements between the Authority and the City. The ultimate outcome of the negotiations with the GSA, the finalization of financing arrangements related to the development of the Custom House Tower and the amount of financial resources to be received from the City of Boston related to this development cannot currently be determined.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1992 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Coopers + Lybrand

Boston, Massachusetts
April 2, 1993, except for
Note T, as to which the
date is June 7, 1993, and
Note H, as to which the
date is November 12, 1993.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1992

ASSETS	General Fund	Agency Funds	Project Funds	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Interfund Eliminations	Combined Total (Memorandum Only)
Investments (Note C)	$1,029,280	$3,078,842	$ 1,761,332				$ 5,869,454
Restricted cash (Notes K and O)			2,118,151				2,118,151
Accounts receivable (net of allowance for bad debts of $475,365)	26,482	28,195	164,123				218,800
Billed and unbilled amounts due from federal, state and city (Notes F and K)		104,626	807,725				912,351
Accounts receivable disposition of development sites (Note N)			20,195,150				20,195,150
Due from other funds	2,231,880	378,433				$(2,610,313)	-
Notes receivable/Housing Developments (net of allowance for bad debts of $204,000) (Notes G and O)		14,250,661	518,343				14,769,004
Notes receivable/UDAG and HDAG (Note G)		24,506,227					24,506,227
Property held for development less reserves (Note B)			9,900,000				9,900,000
Fixed assets, net (Note I)				$142,271			142,271
Other assets	113,856						113,856
Amounts to be provided for retirement of general long-term obligations					$1,713,606		1,713,606
Total assets	$3,401,498	$42,346,984	$35,464,824	$142,271	$1,713,606	$(2,610,313)	$80,458,870
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note S)			9,900,000				9,900,000
Accounts payable	1,455,991						1,455,991
Advances on contracts			862,794				862,794
Due to other funds		612,033	1,998,280			(2,610,313)	-
Retainage			229,239				229,239
Deposits (Note D)	182,771		111,103				293,874
Obligations under capitalized leases (Note J)					110,554		110,554
Vacation and sick leave (Note L)					1,603,052		1,603,052
Accrued liabilities (Note S)	29,610		2,601,633				2,631,243
Other (Notes K and R)			1,571,736				1,571,736
Deferred revenue (Note N)			17,685,098				17,685,098
Due to designated entities		15,455,347	504,941				15,960,288
Due to UDAG recipients		26,279,604					26,279,604
Total liabilities	1,668,372	42,346,984	35,464,824	-	1,713,606	(2,610,313)	78,583,473
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				142,271			142,271
Fund balances:							
Designated for vacation and sick leave (Note L)	1,603,052						1,603,052
Designated for obligations under capitalized leases (Note J)	110,554						110,554
Designated for Neighborhood Housing Fund (Note D)							
Designated for Escrow Linkage Fund (Notes K and O)			2,118,151				2,118,151
Designated for City of Boston, Public Works Department (Note O)							
Designated for projects							
Undesignated	19,520						19,520
Fund deficit (Note S)			(2,118,151)				(2,118,151)
Total other credit and fund balances	1,733,126	-	-	142,271	-	-	1,875,397
Total liabilities, other credit and fund balances	$3,401,498	$42,346,984	$35,464,824	$142,271	$1,713,606	$(2,610,313)	$80,458,870

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES AND CHANGES IN FUND BALANCES

for the year ended September 30, 1992

	General Fund	Project Fund	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city capital grants		$ 1,786,750	$ 1,786,750
Proceeds from disposition of development sites (Note B)		6,608,237	6,608,237
Rental income (Note B)		1,320,910	1,320,910
Interest income		730,943	730,943
Other	$ 8,368	182,461	190,829
Total revenues	8,368	10,629,301	10,637,669
Expenditures:			
Personnel		8,920,144	8,920,144
Fringe		2,610,761	2,610,761
Capital outlays		1,846,152	1,846,152
Supplies and services		2,591,562	2,591,562
Contractual services		1,416,297	1,416,297
Occupancy costs		1,067,646	1,067,646
Restructuring costs (Note Q)		630,826	630,826
Interest expense - Custom House (Note H)		1,282,000	1,282,000
Total expenditures	-	20,365,388	20,365,388
Excess of revenues over/(under) expenditures	8,368	(9,736,087)	(9,727,719)
Other financing sources (uses):			
Operating transfer (Note S)	(1,683,118)	1,683,118	-
Other credit (Note O):			
Neighborhood Housing Fund		214,893	214,893
Excess of revenues over/(under) expenditures and other financing sources/uses and other credit	(1,674,750)	(7,838,076)	(9,512,826)
Fund balances, September 30, 1991	3,407,876	7,838,076	11,245,952
Fund balances, September 30, 1992	$1,733,126	-	$ 1,733,126

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

for the year ended September 30, 1992

	Balance, September 30, 1991	Additions	Deductions	Balance, September 30, 1992
ASSETS				
Investments	$ 3,549,357	$ 5,254,104	$5,724,619	$ 3,078,842
Accounts receivable	74,438	13,795	60,038	28,195
Billed amounts due from federal, state and city	108,697	1,282,228	1,286,860	104,065
Unbilled amounts due from federal, state and city	-	98,125	97,564	561
Due from other funds	566,697	84,095	272,359	378,433
Notes receivable	30,748,904	8,692,744	684,760	38,756,888
Total assets	$35,048,093	$15,425,091	$ 8,126,200	$42,346,984
LIABILITIES				
Due to other funds	658,384	2,359,456	2,405,807	612,033
Retainage	4,205	3,832	8,037	-
Due to designated entities	34,385,504	9,205,911	1,856,464	41,734,951
Total liabilities	$35,048,093	$11,569,199	$ 4,270,308	$42,346,984

The accompanying notes are an integral part of the combined financial statements.

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project Funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the

Continued

payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Rental income received on long-term leases of approximately $2,185,000 is included as Proceeds from disposition of development sites. Rental income from Authority owned and operated property is reflected as Rental income.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

Continued

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1992 was $8,020,488.

At September 30, 1992, $7,680,579 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and $307,026 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash of $2,118,151 (see Note K), as of September 30, 1992 consist of:

Type	Amortized Cost	Interest Rate	Maturity
Daily Money Market	$2,516,088	Various	
Certificates of Deposit	2,401,778	2.75% to 4.0%	10/30/92 to 12/28/92
U.S. Government Treasury Bills	299,408	2.9%	10/08/92
U.S. Government Agency	2,755,898	6.0% to 8.3%	1/25/93 to 8/15/93
Investments at cost	7,973,172		
Accrued interest receivable	14,433		
	$7,987,605		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1992 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

Continued

E. Related Party Transactions:

During the year ended September 30, 1992, the federal, state and city government provided financial resources to the Authority, as follows:

	(in thousands)
Neighborhood Development Fund (included in Agency Funds)	$1,282
City capital appropriations	1,194
Community Development Action Grants (CDAG)	86
Boston Water and Sewer Commission	221
Department of Environmental Management	154
Other federal, state and city grants	132
	$3,069

Certain of the office space of the Authority is provided by the City of Boston at no charge.

F. Billed and Unbilled Amounts Due from Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1992 is as follows:

	Agency	Project
Billed amounts due from federal, state and city	$ 97,565	$ 74,466
Unbilled amounts due from federal, state and city	7,061	409,259
Unbilled court award reimbursements due from city		324,000
	$104,626	$807,725

Continued

Project Funds

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of $227,855 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1992.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City $324,000 as of September 30, 1992, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for $11,000,000. The BRA purchased this property in its capacity as a redevelopment authority acting pursuant to M.G.L. c.121B as well as Title I of the National Housing Act of 1949, 42 USC 1441-1450, et. seq. The Custom Tower is part of the Downtown Waterfront - Faneuil Hall Urban Renewal Project. The BRA took title to the Custom House Tower as the agent for the City. It was understood by the GSA at the time of purchase that the structure would not be held by the BRA in its own right as its own property but would be reconveyed to a private redeveloper to redevelop and preserve this historic structure in accord with federal and state urban renewal law.

As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of $9,900,000 at an annual nterest rate of 11%. The terms of the loan require payment of

Continued

interest only in quarterly installments of $272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of $650,150 for the period January 1993 to October 1997.

On April 23, 1992, the General Services Administration (GSA) notified the Authority as to their agreement to restructure the loan to a 30 year term at an interest rate equal to the current value of funds to the U.S. Treasury at the time of closing. The GSA's notification stated that at the project's financing closing or no later than December 31, 1992, whichever is earlier, the Authority will also pay to the GSA a lump sum of $1,050,000 and that the $9,900,000 principal will be paid as a balloon payment at the end of the 30 year term. However, in July 1992, the Authority proposed additional revisions to the terms of the note to the GSA including the timing of the $1,050,000 lump sum payment; giving non-recourse status to the note and giving the note co-equal status with the project's construction financing. The GSA notified the Authority in December 1992 that the inclusion of those proposed additional terms was unacceptable and accordingly, the restructuring of the note was not completed in 1992.

During 1993, there has been further correspondence between the Authority and the GSA in an attempt by the parties to reach an agreement on the specific terms of a revised mortgage note. In May 1993, the GSA expressed a willingness to discuss the interest rate with the Authority and to consider the prevailing rates at the time of the restructured closing and further expressed a willingness to discuss the timing of payments and would consider payment schedules addressing both the needs of the Authority and the redevelopment project; provided however, that the net present value of the original transaction is maintained. Management is attempting to resume negotiations on the restructuring of the note with the GSA.

In December 1990, the Authority designated a developer of the Custom House Tower and entered into a lease commencement agreement with the designated developer at that time. The designated developer and the Authority have extended the dates relating to this lease commencement agreement. If the ground lease and public improvements are not agreed upon by December 1, 1993, then either party may terminate the agreement and the designated developer may be entitled to a refund of amounts previously paid to the Authority of $250,000. The management of the Authority believes the restructuring of the note is necessary in order to resume negotiations with the designated developer for the Custom House and for the developer to obtain financing arrangements for the proposed Custom House Tower hotel complex.

Continued

The Authority has not made any interest payments on the GSA note since January 1991. In fiscal 1992, interest on the existing GSA note of $1,089,000 and estimated penalties of $193,000 which was due and payable in fiscal year 1992 was charged to project funds. Total unpaid interest and estimated penalties of $1,905,750 and $193,000 respectively, are included in accrued liabilities as of September 30, 1992. In addition, principal, interest and penalties due under the existing note for fiscal 1993 have not been paid to the GSA. Although the Authority is in default under the existing note and the GSA may exercise its right under the agreement to declare the note immediately due and payable, at present, the GSA has not declared the note immediately due.

The ultimate outcome of the negotiations with the GSA and the finalization of financing arrangements related to the development of the Custom House cannot currently be determined. To the extent that the Authority cannot procure funding by the resale of this property and/or the GSA declares the note immediately due and payable, it is the opinion of the Authority's management and its outside counsel that it is probable that the City of Boston is ultimately responsible for the GSA debt in accordance with the Cooperative Agreement between the City of Boston and the Authority dated June 24, 1964 and the Financial Settlement Agreement between the Authority, City of Boston and Department of Housing and Urban Development dated June 23, 1978, both related to the Downtown Waterfront - Faneuil Hall Urban Renewal Project. At September 30, 1992 the Authority has reflected the investment in the Custom House Tower project at $9,900,000 which in management's opinion, will be recovered upon the disposition of the Custom House Tower.

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, September 30, 1991	Current Year Activity	Balances, September 30, 1992
Furniture and fixtures	$1,460,282	$ (2,762)	$1,457,520
Vehicles and maintenance equipment	61,999		61,999
Data processing equipment	590,787	13,034	603,821
	2,113,068	10,272	2,123,340
Less accumulated depreciation and amortization	(1,728,175)	(252,894)	(1,981,069)
Fixed assets, net	$ 384,893	$(242,622)	$ 142,271

Continued

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1992 consist of (see Note J):

Furniture, fixtures and equipment	$934,660
Less accumulated amortization	(843,947)
Leased fixed assets, net of amortization	$ 90,713

J. Commitments:

At September 30, 1992, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately $5,788,178.

The Authority leases office space located in the Charlestown Navy Yard through June 1993. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under this lease as of September 30, 1992 are $317,824 for fiscal year 1993.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1992:

Fiscal year ending September 30,	
1993	$ 79,507
1994	39,231
Total lease payments	118,738
Less amount representing interest	8,184
Present value of future minimum lease payments	$110,554

Continued

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of $527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established, and maintains, restrictive bank accounts totaling $2,118,151, which can be used by the insurance companies in the event of default or challenge by the developers (see Note O).

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1992 are as follows:

	September 30, 1991	Additions	Reductions	September 30, 1992
Vacation and sick leave	$1,603,888	$1,465,141	$1,465,977	$1,603,052

Continued

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1992, the Authority contributed and recorded as an expenditure in the Project Fund $1,514,291. Also, the Authority employees contributed $616,089 in fiscal 1992. The Authority's covered payroll for employees who participate in the System as of the June 30, 1992 actuarial valuation date was $9,826,399. Total payroll for the Authority employees was $9,922,805 for the 12 months ended June 30, 1992.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1992. The total pension obligation and net assets available for benefits applicable to the Authority's employees were $18,750,000 and $12,433,000 at June 30, 1992, respectively. The Authority's actuarial pension expense consisted of $125,000 employer normal cost and $893,000 amortization of the unfunded actuarial liability. At June 30, 1992, the unfunded pension benefit obligation for the Authority was $4,507,000, determined as follows:

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Continued

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 5,689,000
Current employees:	
Employee financed	6,858,000
Employer financed - vested	2,820,000
Employer financed - nonvested	1,573,000
COLA benefits reimbursable by The Commonwealth of Massachusetts	1,810,000
Total pension benefit obligation	18,750,000
Net assets available for benefits	12,433,000
Unfunded pension benefit obligation	6,317,000
Effect of COLA	1,810,000
Unfunded pension benefit obligation, net of COLA	$ 4,507,000

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 8% a year compounded annually, (2) projected salary increases of 5.5% a year compounded annually, attributed to inflation, and seniority/merit, and (3) a cost of living increase of 3% annually applicable to the first $9,000 of annual benefit.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Continued

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is as follows:

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) -: (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) -: (5)
1992	$12,433,000	$16,940,000	73%	$4,507,000	$9,826,399	46%
1991	9,882,000	15,400,000	64%	5,518,000	9,857,353	56%
1990	9,267,000	15,312,000	61%	6,045,000	10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information prior to 1988 is not available.

N. Deferred Revenue:

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1992 the Authority entered into or finalized negotiations on several land disposition transactions which resulted in an additional $3,381,000 of deferred revenue. Further, during fiscal year 1992, the Authority realized approximately $481,000 and reversed approximately $1,653,000 which had previously been recorded as deferred revenue. Total deferred revenue as of September 30, 1992 is $17,685,098 which is expected to be realized in subsequent years either upon due dates or in some instances upon the achievement of certain milestones.

Continued

O. Designation of Project Fund Balance:

During fiscal years 1989 through 1992, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1992 are as follows:

Program	September 30, 1991	1992 De-Designation	September 30, 1992
Neighborhood Housing Fund	$ 248,016	$(248,016)	
Escrow Linkage Fund	2,118,151		$2,118,151
City of Boston, Public Works Dept.	450,000	(450,000)	-
Total	$2,816,167	$(698,016)	$2,118,151

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. Since inception, the Board has designated an aggregate amount of $1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. Of this designation, $1,561,984 has been disbursed to the Neighborhood Housing Fund and $248,016 remains as a future disbursement. As of September 30, 1992, the Board de-designated the balance of $248,016 and further authorized that the repayment of loans to the Neighborhood Housing Fund be used first to reimburse the Authority's fund balance for its contribution.

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of $2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of $13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing

Continued

creation. This $13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at $13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $1,307,735 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

   An escrow account in the amount of $50,000 has been reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America has loaned cash against two DIP agreements valued at $5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $460,416 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

   An escrow account in the amount of $50,000 has been specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

   A $250,000 litigation reserve escrow account has been established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

   At September 30, 1992, the Authority has escrow accounts relating to these agreements amounting to $2,118,151. See Note C.

Continued

In March 1993, the Executive Committee of the City of Boston's Neighborhood Development Fund (NDF) approved and authorized the disbursement of $2,183,751 (being the aggregate of the Authority's contribution and any accrued interest or investment proceeds as of March 1, 1993) from the NDF through the Public Facilities Department of the City of Boston to the Authority. The $2,183,751 was received by the Authority on March 31, 1993. The substitution of NDF funds for Authority funds releases the designation of project fund balance. In addition upon the expiration of the escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America the escrow amounts with accrued interest will be returned to the NDF.

Urban Renewal Project Assistance

On June 27, 1991, the Board of Directors authorized the Authority to designate $900,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. $450,000 was paid in fiscal year 1991. The balance of $450,000 was de-designated by the Board of Directors in fiscal year 1992.

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.

Continued

Q. Restructuring Costs:

During fiscal year 1992, the Authority offered a voluntary termination program where employees who resigned voluntarily were granted an additional three months salary. Twenty-eight employees accepted the voluntary termination program which resulted in a one-time expenditure, including accrued benefits of $504,079. In addition the Authority expended $126,747 for unemployment compensation based on previous employee terminations.

R. Rent Prepayment:

In fiscal 1992 a tenant under an 80-year ground lease agreed to prepay rent for a period of seven years. The present value prepayment amounted to $2,243,213. The balance included in other liabilities at September 30, 1992 is $1,044,036. The remaining payment of $1,118,213 was received on October 16, 1992. Revenue will be recognized on a straight-line basis over the seven year period. After the seven-year period the Authority would continue to receive the full monthly rent as required by the terms of the original ground lease.

S. Project Fund Deficit

In fiscal 1992, an operating transfer of $1,683,118 was made from the General Fund to the Project Fund in order to fund the Project Fund's deficit. The deficit is considered temporary by management and the Project Fund is expected to transfer excess revenues from its operations to the General Fund in subsequent years until the transfer is fully reimbursed to the General Fund.

T. Subsequent Event:

On April 29, 1993 the Walsh Commission Report entitled "The Boston Advantage" recommended that the City restructure the development agencies of the Boston Redevelopment Authority (BRA) and the Economic Development and Industrial Corporation of Boston (EDIC) to increase its effectiveness in attracting, supporting, and managing new development investment, to clarify roles, and to reduce duplication.

The EDIC and BRA Boards approved a Management Agreement on May 19, 1993 and May 27, 1993, respectively. The Management Agreement is for a term of three years, effective as of June 7, 1993, with either party having the option to terminate the Agreement within

Continued

thirty (30) days. Under this Management Agreement the BRA shall manage all projects related to EDIC in the areas of Administration and Finance, Operations, Economic Development, Policy and Staff Operations and Jobs and Community Services. In consideration of the services provided, EDIC shall pay monthly to the BRA a reasonable management fee based on the time spent by BRA employees to manage EDIC projects and the out-of-pocket costs incurred by the BRA in accordance with established EDIC policies.

BOSTON REDEVELOPMENT AUTHORITY

Schedule of Federal Financial Assistance
and
Auditors' Report

For the Year Ended September 30, 1992

REVISED
DRAFT

Boston Redevelopment Authority
Boston, Massachusetts

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Board of Directors
Boston Redevelopment Authority

Independent Auditors' Report

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority for the year ended September 30, 1992. This schedule is the responsibility of the Authority's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the Single Audit Act of 1984 and is not intended to be a complete presentation of the Boston Redevelopment Authority's accrued revenue balances, cash receipts, and expenditures accrued.

In our opinion, the schedule referred to above presents fairly, in all material respects, the accrued revenue balances of each of the various federal grant programs of the Boston Redevelopment Authority as of September 30, 1992, and the cash receipts and expenditures recognized for the year then ended, in conformity with generally accepted accounting principles.

July 16, 1993

Boston Redevelopment Authority
Schedule of Federal Financial Assistance
For the Year Ended September 30, 1992

Federal Grantor/Projects	*CFDA Number*	*Federal Award Amount*	*Accrued Revenue October 1, 1991*	*Cash Receipts*	*Expenditures*	*Accrued Revenue September 30, 1992*
Department of Housing and Urban Development (Passed through the City of Boston):						
Community Planning and Development:						
Housing Development Action Grant (Major) (Note 3):	14.174					
Douglas Plaza		$ 3,430,750	$ -	$ -	$ -	$ -
Urban Development Action Grants (Major) (Notes 2 & 4):	14.221					
Harbor Point Apartments		12,000,000	-	-	-	-
Building 103 Associates		1,649,650	-	-	-	-
Boylston Development Group		1,231,859	-	-	-	-
Westland Avenue Associates		325,000	-	-	-	-
North End Community Health Committee		385,770	-	-	-	-
Teradyne		4,500,000	-	-	-	-
Winslow Court		195,000	-	-	-	-
Total		20,287,279	$ -	$ -	$ -	$ -
Grand total		$23,718,029				

See accompanying notes to Schedule of Federal Financial Assistance.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance
For the Year Ended September 30, 1992

1. ***Summary of Significant Accounting Policies***

The accompanying schedule includes the accounts of the Boston Redevelopment Authority federal grant programs and has been prepared on the accrual basis of accounting, whereby expenditures are recognized when incurred. Accrued revenue represents program costs incurred which have not yet been reimbursed by the grantor agency.

2. ***Urban Development Action Grants (CFDA No. 14.221)***

The Boston Redevelopment Authority (The Authority) is the administrator of certain Urban Development Action Grant (UDAG) loans (listed below) issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD). The Authority receives the repayment of principal and interest from these developers on a monthly basis and remits the funds to the City of Boston. The loan amount, recipient and payment terms are as follows:

1. Harbor Point Apartments Co. Limited Partnership

   The loan repayment commences January 1, 1994 with monthly installments in arrears based on a 40 year amortization schedule. The applicable interest rates are 0% for loan years 1-3, 5% for loan years 4-9, and 8% for the remaining term of the loan. Lump sum contingent interest payments are due at the end of each operational year equal to 10% of net annual cash flow of the project. Repayments will be made only after making cash distributions permitted by the Massachusetts Housing Finance Authority. If repayments are not made, they are considered due as part of a balloon payment of all outstanding principal and accrued interest on April 2020.

2. Building 103 Associates (Anchorage Apartments)

   The 30 year loan term commenced on April 15, 1986 and the outstanding principal is due in a balloon payment on April 15, 2016. The applicable interest rates for the loan term are 0% for years 1-5 and 5% compounded semiannually for years 6-30. Contingent interest will accrue if the project accepts a Section 8 (National Housing Act of 1937) or State 707 (Massachusetts Acts of 1966) certificate holder or any individual receiving a similar form of rental assistance as a tenant in the amount of the difference between rental payments received by the project with regard to the certificate holder and the aggregate payments made by the holder of the certificate. Accrued contingent interest at September 30, 1992 is approximately $762,994. All interest and contingent interest is deferred and considered due on the maturity of the note, including the 5% semiannual interest of $164,965 accrued during the year ended September 30, 1993. Interest on this UDAG is neither recorded as accrued interest nor as interest payable to the City of Boston, due to the unlikelihood of its collection at maturity as a result of the priority of other payments, as stipulated in the UDAG documents, when a sale or refinancing occurs.

2. Urban Development Action Grants (CFDA No. 14.221) - Continued

3. Chinese Economic Development Council, Inc. (the Council) and the Boylston Development Group Limited Partnership (Boylston Building)

   The outstanding principal balance accrued interest for the period of November 13, 1984 through January 1, 1988 at a simple interest rate of 5%. The accrued interest was added to the outstanding principal balance at that time. As of January 1, 1988, interest began to accrue on the new balance at 5% simple interest per year, payable monthly in arrears beginning January 31, 1988. The loan principal repayment was to commence on May 1, 1989, payable in annual installments equal to the annual net cash flow (as defined in the loan agreement) not to exceed $184,000. The outstanding principal and interest is due in a balloon payment in March, 1995.

   As of September 30, 1992, the Council and the Partnership were in default of the agreement owing $123,186 for interest payments in arrears through January 1, 1988, and an undeterminable amount of principal and interest payments from that date forward. In December 1992, the Partnership filed for bankruptcy, and has subsequently terminated. The Authority has subsequently purchased the Boylston Building from the primary lender after the property's mortgage foreclosure.

4. Westland Avenue Associates

   The loan is interest free and the entire principal balance is due in a balloon payment on the forty year anniversary of the initial advance of funds to the borrower (2021).

5. North End Community Health Committee, Inc.

   A 12.85% interest bearing loan with monthly interest payments of $4,164, principal due in a balloon payment in October, 2021.

6. Teradyne

   The loan has a 3% annual interest rate payable semiannually. In the first four years of the loan term, interest totaling $540,000 was deferred and added to the principal balance. The annual interest payment for years 5-30 on the new principal balance is $151,200. This balance is due on April 1, 2013 in a balloon payment of $5,040,000.

2. ***Urban Development Action Grants (CFDA No. 14.221)*** - *Continued*

7. Winslow Court

The UDAG grant allows for a maximum of twenty-four second mortgage loans of $15,000 each to MHFA qualified purchasers of condominium units on the project site. Each mortgage has a ten-year term commencing upon the execution of closing documents. The mortgages are interest free, and will be forgiven at maturity if the condominium unit purchased has not been refinanced, sold, transferred, rented or otherwise disposed of during the term of the loan. In the event that purchaser rents the condominium unit, the principal amount of the UDAG loan shall become immediately due and payable. On September 30, 1992 there were thirteen $15,000 second mortgage loans outstanding.

Loan balances for the years ended September 30, 1992 and 1991, and interest payments received by the Authority for the year ended September 30, 1992 were as follows:

Borrower	*Principal Balance @ 9/30/91*	*Principal Balance @ 9/30/92*	*Interest Payments*
Harbor Point Apartments Co. Limited Partnership	$12,000,000	$12,000,000	$ -
Building 103 Associates	1,649,650	1,649,650	-
Boylston Development Group Limited Partnership	1,231,859	1,231,859	-
Westland Avenue Associates	325,000	325,000	-
North End Community Health Committee, Inc.	385,770	385,770	49,970
Teradyne	5,040,000	5,040,000	151,200
Winslow Court	195,000	195,000	-
Total	$20,827,279	$20,827,279	$201,170

Urban Development Action Grants (CFDA No. 14.221) - Continued

The Authority has remitted $188,678 of UDAG loan interest payments received and bank account interest to the City of Boston during the year ended September 30, 1992. Loan interest totaling $24,985 collected by the Authority and bank account interest totaling $99 is payable to the City of Boston as of September 30, 1992.

Housing Development Action Grant (CFDA No. 14.174)

The Authority is the administrator of a Housing Development Action Grant (HDAG) loan issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD) similar to the UDAG loan noted above. The loan recipient is the Douglas Plaza Housing Company I Limited Partnership.

The loan term commenced on June 5, 1989 and the principal balance of the loan is due in lump sum at the end of the term. The term of the loan will run from the commencement date until the 20th anniversary of the achievement of a 50% occupancy rate of the project, as long as the recipient has maintained the required distribution of low income housing in the project and the Massachusetts Housing Finance Agency (MHFA) 1st mortgage remains outstanding. Otherwise, the term will extend to the date that either of those two conditions change. The applicable annual interest rate is 0% for years 1-4 starting on August 31, 1989, 1% for years 5-15, and 2% for the period starting with year 16 until the end of the loan term as described above. No principal repayments or interest payments have been made on the above loan at September 30, 1992. The outstanding balance of this loan at September 30, 1992 is $3,430,750.

Other Program Income

Westland Avenue

During the year ended September 30, 1992, the Authority earned $103,407 of investment income from their custodial investment account and remitted it directly to the Westland Avenue Associates project account. This income is earned from securities purchased with a portion of the Westland Avenue Associates UDAG totaling $1,775,000 and held by the Authority for the use of rent moderation and debt service by the Westland Avenue Associates project. The securities are to be remitted to the City of Boston upon repayment of the UDAG loan of $325,000 by the Developer.

REPORT ON
INTERNAL CONTROL STRUCTURE

Board of Directors
Boston Redevelopment Authority

Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Financial Assistance Programs

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority (the Authority), as of and for the year ended September 30, 1992, and have issued our report thereon dated July 16, 1993. We have also audited the compliance of the Authority, with requirements applicable to major federal financial assistance programs and have issued our report thereon dated July 16, 1993.

We conducted our audit in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement and about whether the Authority complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit for the year ended September 30, 1992, we considered the internal control structure of the Authority, in order to determine our auditing procedures for the purpose of expressing our opinions on the Schedule of Federal Financial Assistance of the Authority, and on the compliance of the Authority with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs.

The management of the Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

e purpose of this report, we have classified the significant internal control structure policies ocedures used in administering federal financial assistance programs in the following

unting Controls

ash Receipts
ash Disbursements
ccounts Payable

Administrative Controls

- Political Activity
- Civil Rights
- Federal Financial Reports
- Drug Free Workplace
- Administrative Requirements

ific Requirements

ligibility
eporting
Jrban Development Action Grant
ollections

l of the internal control structure categories listed above, we obtained an understanding of the n of relevant policies and procedures and determined whether they have been placed in tion, and we assessed control risk.

sclosed in the notes to the Schedule of Federal Financial Assistance, the Authority administers n Urban Development Action Grant (UDAG) and Housing Development Action Grant (HDAG) issued by The City of Boston to local developers from grant funds received from the t of Housing and Urban Development (HUD). The authority receives the repayment of pal and interest from these developers on a monthly basis and remits the funds to the City of n. During the year ended September 30, 1992, the Authority remitted $201,170 of UDAG interest payments to the City of Boston.

erformed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness e design and operation of internal control structure policies and procedures that we considered ant to preventing or detecting material noncompliance with specific requirements, general rements, and requirements governing claims for advances and reimbursements and amounts ed or used for matching that are applicable to each of the Authority's major federal financial ance programs, which are identified in the accompany Schedule of Federal Financial stance. Our procedures were less in scope than would be necessary to render an opinion on internal control structure policies and procedures. Accordingly, we do not express such an on.

oted certain matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public ountants. Reportable conditions involve matters coming to our attention relating to significant iencies in the design or operation of the internal control structure that, in our judgment, could rsely affect the Authority's ability to administer federal financial assistance programs in rdance with applicable laws and regulations.

REPORTS ON COMPLIANCE

Board of Directors
Boston Redevelopment Authority

Independent Auditors' Opinion on Compliance with Specific Requirements Applicable to Major Federal Financial Assistance Programs

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority (the Authority), as of and for the year ended September 30, 1992, and have issued our report thereon dated July 16, 1993.

We have also audited the Authority's compliance with the requirements governing eligibility; reporting; and Urban Development Action Grant collections that are applicable to its major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended September 30, 1992. The management of the Boston Redevelopment Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described below.

In regard to the Authority's administration of the Housing Development Action Grant (HDAG), (CFDA NO 14.174) issued by the City of Boston to Douglass Plaza Housing Company I Limited Partnership (Douglas Plaza) it was noted that the Authority did not comply with the general provision of the agreement between the City of Boston, the Authority and Douglass Plaza, stating the Authority shall monitor the owner's (Douglas Plaza) performance to enforce the HDAG requirements and compliance with the grant agreement. It appears as though the Authority did not perform procedures to monitor Douglass Plaza's compliance with tenant eligibility requirements, to assure that the type and number of units, as specified by the grant agreement, are occupied or available for occupancy by lower income households, and to assure the proper rent amount is being charged for those units occupied.

We recommend that the Authority maintain and follow through with procedures to monitor Douglass Plaza's performance to enforce HUD requirements and compliance with the grant agreement. We also recommend that all procedures performed be documented to provide assurance of performance and to aide in the monitoring process.

In addition, during our examination of the thirteen second mortgage loans outstanding of $15,000 each to MHFA qualified purchasers of condominium units on The Winslow Court project under the Urban Development Action Grant (UDAG), (CFDA No. 14.221) it was disclosed that one of the borrowers appeared to have violated the terms of the second mortgage loan agreement by no longer occupying the unit. As a result, this borrower would currently be in default, owing the balance of $15,000 to the Authority. Procedures did not appear to exist to monitor these loans and ensure prompt collection, when necessary as specified per the grant agreement.

We recommend that the Authority institute procedures to monitor these UDAG second mortgage loans to ensure timely collection of all UDAG funds. We further recommend that the Authority investigate the apparent default noted above and take appropriate action, if necessary.

We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Authority complied, in all material respects, with the requirements governing eligibility; reporting; Urban Development Action Grant collections that are applicable to its major federal financial assistance programs for the year ended September 30, 1992.

This report is intended for the information of management, HUD, and the City of Boston. However, this report is a matter of public record and its distribution is not limited.

July 16, 1993

Board of Directors
Boston Redevelopment Authority

Independent Auditors' Report
on Compliance with General Requirements

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority (the Authority), as of and for the year ended September 30, 1992, and have issued our report thereon dated July 16, 1993.

We have applied procedures to test the Authority's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1992: political activity, civil rights, federal financial reports, drug-free workplace, and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those requirements.

This report is intended for the information of management, HUD, and the City of Boston. However, this report is a matter of public record and its distribution is not limited.

July 16, 1993

Boston Redevelopment Authority
Status of Prior Year Findings
September 30, 1992

There are no uncorrected significant or material findings from prior years' single audits that effect the current audit.

Boston
Redevelopment
Authority

Clarence J. Jones, *Chairman*
Paul L. Barrett, *Director*

AUDITEE'S RESPONSE

The Winslow Court UDAG will be monitored by certifying the homeowernship status of all condominium owners. Every year the BRA's Neighborhood Housing and Development Department will send certified letters to each condominium owner at Winslow Court. This will allow the BRA to certify homeownership for each unit as the UDAG grant requires. Any violations to the Deed Restrictions will be pursued by the remedies established in the Land Disposition Agreement.

The Douglass Park HODAG will be monitored by reviewing the Massachusetts Housing Finance Agency's (MHFA) Spring and Fall Property Management Review. In addition the BRA will obtain from the Developer a detailed listing of the rent rolls as required by the grant agreement.

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Coopers & Lybrand

Certified Public Accountants

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1991

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1991

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1991 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1991 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
March 19, 1992, except for
Note H, as to which the date
is August 24, 1992

BOSTON REDEVELOPMENT AUTHORITY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1991

ASSETS	General Fund	Agency Funds	Project Funds	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Interfund Eliminations	Combined Total (Memorandum Only)
Investments (Note C)	$ 777,230	$ 3,549,357	$ 1,474,518				$ 5,801,105
Restricted cash (Notes K and O)			2,118,151				2,118,151
Accounts receivable (net of allowance for bad debts of $386,594)	27,330	74,438	452,302				554,070
Billed and unbilled amounts due from federal, state and city (Notes F and K)	15,199	108,697	1,122,234				1,246,130
Accounts receivable disposition of development sites (Note N)			26,341,021				26,341,021
Due from other funds	5,459,893	566,697	286,919			$(6,313,509)	
Notes receivable/Housing Developments (Notes G and O)		6,490,875	612,784				7,103,659
Notes receivable/UDAG and HDAG (Note G)		24,258,029					24,258,029
Property held for development less reserves (Note H)			9,900,000				9,900,000
Fixed assets, net (Note I)				$384,893			384,893
Other assets	70,175		29,704				99,879
Amounts to be provided for retirement of general long-term obligations					$1,856,516		1,856,516
Total assets	$6,349,827	$35,048,093	$42,337,633	$384,893	$1,856,516	$(6,313,509)	$79,663,853
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note H)			9,900,000				9,900,000
Accounts payable	2,131,771						2,131,771
Advances on contracts			839,853				839,853
Due to other funds	559,277	658,384	5,095,848			(6,313,509)	-
Retainage		4,205	291,526				295,731
Deposits (Note D)	192,547		95,983				288,530
Obligations under capitalized leases (Note J)					252,628		252,628
Vacation and sick leave (Note L)					1,603,888		1,603,888
Accrued liabilities	58,294		1,085,061				1,143,355
Other (Note K)			527,700				527,700
Deferred revenue (Note N)			16,438,316				16,438,316
Due to designated entities	62	34,385,504	225,272				34,610,836
Total liabilities	2,941,951	35,048,093	34,499,557	-	1,856,516	(6,313,509)	68,032,608
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				384,893			384,893
Fund balances:							
Designated for vacation and sick leave (Note L)	1,603,888						1,603,888
Designated for obligations under capitalized leases (Note J)	252,569						252,569
Designated for Neighborhood Housing Fund (Note O)			248,016				248,016
Designated for Escrow Linkage Fund (Notes K and O)			2,118,151				2,118,151
Designated for City of Boston, Public Works Department (Note O)			450,000				450,000
Designated for projects			5,021,909				5,021,909
Undesignated	1,551,419						1,551,419
Total other credit and fund balances	3,407,876	-	7,838,076	384,893	-	-	11,630,845
Total liabilities, other credit and fund balances	$6,349,827	$35,048,093	$42,337,633	$384,893	$1,856,516	$(6,313,509)	$79,663,853

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES AND CHANGES IN FUND BALANCES

for the year ended September 30, 1991

	General Fund	Project Fund	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city capital grants		$ 3,322,410	$ 3,322,410
Proceeds from disposition of development sites (Notes B and F)		17,810,400	17,810,400
Rental income (Note B)		1,525,189	1,525,189
Interest income	$ 66,027	555,380	621,407
Other	8,000	190,078	198,078
Total revenues	74,027	23,403,457	23,477,484
Expenditures:			
Personnel		9,624,833	9,624,833
Fringe		3,131,049	3,131,049
Capital outlays	16,032	3,847,024	3,863,056
Supplies and services	21,128	2,847,122	2,868,250
Contractual services	1,599	1,931,539	1,933,138
Occupancy costs		1,323,681	1,323,681
Restructuring costs (Note Q)		490,087	490,087
Charge-offs for notes receivable/Housing Developments (Note G)		840,548	840,548
Interest expense - Custom House (Note H)		1,050,000	1,050,000
Provision for valuation of Custom House development project (Note H)		4,472,250	4,472,250
Total expenditures	38,759	29,558,133	29,596,892
Revenue over/(under) expenditures before other charges	35,268	(6,154,676)	(6,119,408)
Other charges (Note O):			
City of Boston - Public Works Dept.		(450,000)	(450,000)
Total other charges	-	(450,000)	(450,000)
Total revenue over/(under) expenditures and other charges	35,268	(6,604,676)	(6,569,408)
Fund balances, September 30, 1990	3,372,608	14,442,752	17,815,360
Fund balances, September 30, 1991	$3,407,876	$ 7,838,076	$11,245,952

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
AGENCY FUNDS

for the year ended September 30, 1991

	Balance, September 30, 1990	Additions	Deductions	Balance, September 30, 1991
ASSETS				
Investments	$ 3,873,991	$11,600,543	$11,925,177	$ 3,549,357
Accounts receivable	74,438	201,170	201,170	74,438
Billed amounts due from federal, state and city	1,400,000	2,096,347	3,387,650	108,697
Unbilled amounts due from federal, state and city	52	304,653	304,705	-
Notes receivable	31,122,966	940,522	1,314,584	30,748,904
Other assets	974,811		974,811	-
Due from other funds	339,763	470,826	243,892	566,697
Total assets	$37,786,021	$15,614,061	$18,351,989	$35,048,093
LIABILITIES				
Due to other funds	2,795,016	3,046,383	5,183,015	658,384
Retainage	12,929	46,123	54,847	4,205
Due to designated entities	34,978,076	1,493,630	2,086,202	34,385,504
Total liabilities	$37,786,021	$ 4,586,136	$ 7,324,064	$35,048,093

The accompanying notes are an integral part of the combined financial statements.

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project Funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Continued

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Rental income received on long-term leases of approximately $3,700,000 is included as Proceeds from disposition of development sites. Rental income from Authority owned and operated property is reflected as Rental income.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

Continued

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1991 was $7,915,465.

At September 30, 1991, $6,952,735 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and $966,521 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash of $2,118,151 (see Note K), as of September 30, 1991 consist of:

Type	Amortized Cost	Interest Rate	Maturity
Daily Money Market	$2,243,356	Various	
Certificates of Deposit	1,583,241	5.25% to 6.2%	10/14/91 to 12/30/91
U.S. Government Treasury Bills	283,925	5.2%	10/10/91
Corporate Debt Securities	507,426	8.9%	11/1/00
U.S. Government Agency	3,263,702	6.0% to 8.5%	10/31/91 to 5/15/94
Investments at cost	7,881,650		
Accrued interest receivable	37,606		
	$7,919,256		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1991 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet.

Continued

E. Related Party Transactions:

City of Boston

During the year ended September 30, 1991, the City provided financial resources to the Authority, as follows:

	(in thousands)
Urban Development Action Grants (UDAG)	$ 767
City capital appropriations	3,567
Housing Development Grants (HODAG)	86
Community Development Action Grants (CDAG)	436
EPA grants	218
Other federal, state and city grants	310
	$5,384

Certain of the office space of the Authority is provided by the City at no charge.

F. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1991 is as follows:

	General	Agency	Project
Billed amounts due from federal, state and city	$15,199	$102,197	$465,599
Unbilled amounts due from federal, state and city		6,500	332,635
Unbilled court award reimbursements due from city			324,000
	$15,199	$108,697	$1,122,234

Continued

Project Funds

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of $99,777 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1991.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City $324,000 as of September 30, 1991, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

On September 26, 1991 the Authority authorized the execution of a Land Disposition Agreement and Deed conveying of Parcel D-10 located in the Urban Renewal Waterfront Project R-77. The disposition price of $11,700,000 which is reflected as revenue in fiscal 1991, has been collected by the Authority.

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects. In fiscal 1991, the Authority charged off certain housing development notes receivable.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for $11,000,000. As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of $9,900,000 at an annual interest rate of 11%. The terms of the loan require payment of interest only in quarterly installments of $272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of $650,150 for the period January 1993 to October 1997. The Authority capitalized interest incurred of $3,239,775 through September 30, 1990. In fiscal 1991, current year interest of $1,050,000 has been charged to project fund operations.

Continued

Effective July 9, 1992, the General Services Administration and the Boston Redevelopment Authority agreed to restructure the debt. A new note shall be executed by the Boston Redevelopment Authority in favor of the General Service Administration. The note shall be collateralized by a mortgage on the subject real estate and shall be non-recourse to the Boston Redevelopment Authority. In addition, the note and mortgage will be served solely by the subject real estate as improved and shall be made on pari passu (equal basis) with the redevelopment financing for the Custom House Project.

The Authority expects that the terms of the proposed restructured note will include the principal amount of $9,900,000 and will be for a term of thirty years. Payments of interest only shall be made quarterly at a rate of six percent per annum (6%) or such other interest rate as equals the current value of funds to the U.S. Treasury at the time of closing. Interest will be due beginning on October 9, 1992 in the sum of $148,500 and a like amount quarterly thereafter to and including July 9, 2022. The $9,900,000 principal shall be due as a balloon payment at the end of the thirty-year term but may be prepaid, in whole or in part at anytime without penalty. The Authority believes that the restructured note agreement will be finalized by December 31, 1992.

The Authority is currently working with the designated developer for the Custom House to obtain financing arrangements for a proposed hotel complex and expects to finalize these arrangements by March 31, 1993. The Authority along with the designated developer has made significant progress on various predevelopment activities such as obtaining necessary project permits and approvals from the various federal, state and city agencies.

As of September 30, 1991, the Authority has recorded a provision of $4,472,250 to reduce the carrying value of the Custom House project based on the current status of the project and related financing initiatives.

Continued

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, September 30, 1990	Current Year Activity	Balances, September 30, 1991
Furniture and fixtures	$1,460,282		$1,460,282
Vehicles and maintenance equipment	61,999		61,999
Data processing equipment	584,379	$ 6,408	590,787
	2,106,660	6,408	2,113,068
Less accumulated depreciation and amortization	(1,401,777)	(326,398)	(1,728,175)
Fixed assets, net	$ 704,883	$(319,990)	$ 384,893

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1991 consist of (see Note J):

Furniture, fixtures and equipment	$934,660
Less accumulated amortization	(709,179)
Leased fixed assets, net of amortization	$225,481

J. Commitments:

At September 30, 1991, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately $2,995,000.

The Authority leases office space located in the Charlestown Navy Yard through June 1992. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under this lease as of September 30, 1991 are $675,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

Continued

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1991:

Fiscal year ending September 30,	
1992	$159,459
1993	79,507
1994	39,231
Total lease payments	278,197
Less amount representing interest	25,569
Present value of future minimum lease payments	$252,628

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of $527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established, and maintains, restrictive bank accounts totaling $2,118,151, which can be used by the insurance companies in the event of default or challenge by the developers (see Note O).

Continued

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1990 are as follows:

	September 30, 1990	Additions	Reductions	September 30, 1991
Vacation and sick leave	$1,693,232	$1,563,510	$1,652,854	$1,603,888

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1991, the Authority contributed and recorded as an expenditure in the Project Fund $1,756,923. Also, the Authority employees contributed $705,700 in fiscal 1991. The Authority's covered payroll for employees who participate in the System as of the June 30, 1991 actuarial valuation date was $9,857,353. Total payroll for the Authority employees was $10,488,285 for the 12 months ended June 30, 1991.

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1991. The total pension obligation and net assets available for benefits applicable to the Authority's employees were $17,221,000 and $9,882,000 at June 30, 1991, respectively. The Authority's actuarial pension expense consisted of $119,371 employer normal cost and $942,307 amortization of the unfunded actuarial liability. At June 30, 1991, the unfunded pension benefit obligation was $5,518,000, determined as follows:

Continued

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 5,378,000
Current employees:	
Employee financed	5,869,000
Employer financed - vested	2,666,000
Employer financed - nonvested	1,487,000
COLA benefits reimbursable by The Commonwealth of Massachusetts	1,821,000
Total pension benefit obligation	17,221,000
Net assets available for benefits	9,882,000
Unfunded pension benefit obligation	7,339,000
Effect of COLA	1,821,000
Unfunded pension benefit obligation, net of COLA	$ 5,518,000

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 10% a year compounded annually, (2) projected salary increases of 6% a year compounded annually, attributed to inflation, and seniority/merit, (3) a cost of living increase of 3% annually applicable to the first $9,000 of annual benefit, and (4) removal of the $30,000 compensation cap.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Continued

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is as follows:

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) ÷ (5)
1991	$9,882,000	$15,400,000	64%	$5,518,000	$ 9,857,353	56%
1990	9,267,000	15,312,000	61%	6,045,000	10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information prior to 1988 is not available.

N. Deferred Revenue:

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1991 the Authority entered into or finalized negotiations on several land disposition transactions which resulted in an additional $9,700,000 of deferred revenue. Further, during fiscal year 1991, the Authority realized approximately $16,000 which had previously been recorded as deferred revenue. Total deferred revenue as of September 30, 1991 is $16,438,316 which is expected to be realized in subsequent years either upon due dates or in some instances upon the achievement of certain milestones.

O. Designation of Project Fund Balance:

During fiscal years 1989 through 1991, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1991 are as follows:

Continued

Program	September 30, 1990	1991 Designation	1991 Disbursements	September 30, 1991
Neighborhood Housing Fund	$ 248,016			$ 248,016
Escrow Linkage Fund	2,118,151			2,118,151
City of Boston, Public Works Dept.	-	$900,000	$450,000	450,000
Total	$2,366,167	$900,000	$450,000	$2,816,167

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. As of September 30, 1991, the Board has designated an aggregate amount of $1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. As of September 30, 1991, $248,016 of this has yet to be disbursed for Neighborhood Housing Projects.

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of $2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of $13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing creation. This $13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at $13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $1,307,735 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

Continued

An escrow account in the amount of $50,000 has been reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America has loaned cash against two DIP agreements valued at $5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $460,416 has been established by the Authority, representing one year of debt service to guarantee against possible default of payments;

   An escrow account in the amount of $50,000 has been specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

   A $250,000 litigation reserve escrow account has been established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

   At September 30, 1991, the Authority has escrow accounts relating to these agreements amounting to $2,118,151. See Note C.

Urban Renewal Project Assistance

On June 27, 1991, the Board of Directors authorized the Authority to designate $900,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. $450,000 was paid in fiscal year 1991.

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable

Continued

emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.

Q. Restructuring Costs:

On March 29, 1990 the Authority Board voted to authorize the Voluntary Retirement Bonus Program of 25% of annual base pay for eligible employees. Payments were made under this Voluntary Retirement Program to ten employees and amounted to $85,162 during fiscal 1991. Subsequently, on March 14, 1991 the Authority approved a Voluntary Termination Bonus Program to all full-time employees who had been employed with the Authority for at least one year. This Voluntary Termination Bonus Program began on March 15, 1991. Employees who resigned voluntarily were granted a cash bonus of $6,000. Thirty-four employees accepted the Bonus which resulted in a one time expenditure, including accrued benefits, of $404,925. Both of these Programs totaling $490,087, were modeled after Programs implemented by the City of Boston.

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BOSTON REDEVELOPMENT AUTHORITY

Schedule of Federal Financial Assistance
and
Auditors' Report

For the Year Ended September 30, 1991

Boston Redevelopment Authority
Boston, Massachusetts

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Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

Independent Auditors' Report

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority for the year ended September 30, 1991. This schedule is the responsibility of the Authority's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the Single Audit Act of 1984 and is not intended to be a complete presentation of the Boston Redevelopment Authority's accrued revenue balances, cash receipts, and expenditures accrued.

In our opinion, the schedule referred to above presents fairly, in all material respects, the accrued revenue balances of each of the various federal grant programs of the Boston Redevelopment Authority as of September 30, 1991, and the cash receipts and expenditures recognized for the year then ended, in conformity with generally accepted accounting principles.

Daniel Dennis + Company

January 14, 1992

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Boston Redevelopment Authority
Schedule of Federal Financial Assistance
For the Year Ended September 30, 1991

Federal Grantor/Projects	*CFDA Number*	*Accrued Revenue Oct. 1, 1990*	*Adjustments*	*Cash Receipts*	*Expenditures*	*Accrued Revenue September 30, 1991*
Department of Housing and Urban Development (Passed through the City of Boston):						
Community Planning and Development:						
Housing Development Action Grant (Note 3):						
Douglas Plaza	14.174	$ -	$ -	$ 85,769	$ 85,769	$ -
Community Development Block Grants/Entitlement Grants:						
Urgent Needs Super	14.218	134,872	-	134,872	-	-
Urban Development Action Grants (Major) (Notes 2 & 5):						
Harbor Point Apartments	14.221	1,400,000	-	1,400,000	-	-
Bayside Exposition Center (Note 6)		52	-	26,199	26,147	-
Winslow Court		-	-	30,000	30,000	-
Navy Yard Retail		-	-	711,000	711,000	-
Subtotal		1,400,052	-	2,167,199	767,147	-
Total		$1,534,924	$ -	$2,387,840	$ 852,916	$ -
National Foundation on the Arts and the Humanities:						
National Endowment for the Arts:						
Office of Arts & Humanities (Note 4)	45.023	$ 12,000	$16,039	$ 28,039	$ -	$ -
Grand total		$1,546,924	$16,039	$2,415,879	$ 852,916	$ -

See accompanying notes to financial statements.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance
For the Year Ended September 30, 1991

1. *Summary of Significant Accounting Policies*

The accompanying schedule includes the accounts of the Boston Redevelopment Authority federal grant programs and has been prepared on the accrual basis of accounting, whereby expenditures are recognized when incurred. Accrued revenue represents program costs incurred which have not yet been reimbursed by the grantor agency.

2. *Urban Development Action Grants (CFDA No. 14.221)*

The Boston Redevelopment Authority (The Authority) is the administrator of certain Urban Development Action Grant (UDAG) loans (listed below) issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD). The Authority receives the repayment of principal and interest from these developers on a monthly basis and remits the funds to the City of Boston. The loan amount, recipient and payment terms are as follows:

1. Harbor Point Apartments Co. Limited Partnership

The loan repayment commences January 1, 1994 with monthly installments in arrears based on a 40 year amortization schedule. The applicable interest rates are 0% for loan years 1-3, 5% for loan years 4-9, and 8% for the remaining term of the loan. Lump sum contingent interest payments are due at the end of each operational year equal to 10% of net annual cash flow of the project. Repayments will be made only after making cash distributions permitted by the Massachusetts Housing Finance Authority. If repayments are not made, they are considered due as part of a balloon payment of all outstanding principal and accrued interest on April 30, 2020.

2. Building 103 Associates (Anchorage Apartments)

The 30 year loan term commenced on April 15, 1986 and the outstanding principal is due in a balloon payment on April 15, 2016. The applicable interest rates for the loan term are 0% for years 1-5 and 5% compounded semiannually for years 6-30. Contingent interest will accrue if the project accepts a Section 8 (National Housing Act of 1937) or State 707 (Massachusetts Acts of 1966) certificate holder or any individual receiving a similar form of rental assistance as a tenant in the amount of the difference between rental payments received by the project with regard to the certificate holder and the aggregate payments made by the holder of the certificate. Accrued contingent interest at September 30, 1991 is approximately $633,968. All interest and contingent interest is deferred and considered due on the maturity of the note.

2. Urban Development Action Grants (CFDA No. 14.221) - Continued

3. Chinese Economic Development Council, Inc. (the Council) and the Boylston Development Group Limited Partnership (Boylston Building)

   The loan principal repayment commences May 1, 1989. The outstanding principal balance accrued interest for the period of November 13, 1984 through January 1, 1988 at a simple interest rate of 5%. The accrued interest was added to the outstanding principal balance at that time. As of January 1, 1988, interest began to accrue on the new balance at 5% simple interest per year, payable monthly in arrears beginning January 31, 1988. When the principal repayment commences it shall be paid in annual installments equal to the annual net cash flow as defined in the loan agreement not to exceed $184,000. The outstanding principal and interest is due in a balloon payment in March, 1995.

   As of September 30, 1991, the Council and the Partnership were in default of the agreement owing $123,186 for interest payments in arrears through January 1, 1988, and an undeterminable amount of principal and interest payments from that date forward. On May 1, 1989, annual installments were scheduled to begin, based on annual net cash flow as defined in the agreement, however, no payments have been received. The Authority is currently working with the Council and the Partnership to restructure the note.

4. Westland Avenue Associates

   The loan is interest free and the entire principal balance is due in a balloon payment on the forty year anniversary of the initial advance of funds to the borrower (2021).

5. North End Community Health Committee, Inc.

   A 12.85% interest bearing loan with monthly interest payments of $4,164, principal due in a balloon payment in October, 2021.

6. Teradyne

   The loan has a 3% annual interest rate payable semiannually. In the first four years of the loan term, interest totaling $540,000 was deferred and added to the principal balance. The annual interest payment for years 5-30 on the new principal balance is $151,200. This balance is due on April 1, 2013 in a balloon payment of $5,040,000.

2. Urban Development Action Grants (CFDA No. 14.221) - Continued

7. Winslow Court

The UDAG grant allows for a maximum of twenty-four second mortgage loans of $15,000 each to MHFA qualified purchasers of condominium units on the project site. Each mortgage has a ten-year term commencing upon the execution of closing documents. The mortgages are interest free, and will be forgiven at maturity if the condominium unit purchased has not been refinanced, sold, transferred, rented or otherwise disposed of during the term of the loan. In the event that purchaser rents the condominium unit, the principal amount of the UDAG loan shall become immediately due and payable. On September 30, 1991 there were thirteen $15,000 second mortgage loans outstanding.

Loan balances for the years ended September 30, 1991 and 1990, and interest payments received by the Authority for the year ended September 30, 1991 were as follows:

Borrower	*Principal Balance @ 9/30/90*	*Principal Balance @ 9/30/91*	*Interest Payments*
Harbor Point Apartments Co. Limited Partnership	$12,000,000	$12,000,000	$ -
Building 103 Associates	1,649,650	1,649,650	-
Chinese Economic Development Council, Inc. & Boylston Development Group Limited Partnership	1,231,859	1,231,859	-
Westland Avenue Associates	325,000	325,000	-
North End Community Health Committee, Inc.	385,770	385,770	49,970
Teradyne	5,040,000	5,040,000	151,200
Winslow Court	165,000	195,000	-
Total	$20,797,279	$20,827,279	$201,170

2. Urban Development Action Grants (CFDA No. 14.221) - Continued

The Authority has remitted $201,432 of UDAG loan interest payments received and bank account interest to the City of Boston during the year ended September 30, 1991. Loan interest totaling $12,492 collected by the Authority and bank account interest totaling $1,899 is payable to the City of Boston as of September 30, 1991.

The Bayside Exposition Center and Navy Yard Retail grant agreements stipulate that these grant funds be used for City of Boston roadway and park improvements, respectively. These grants are not included in the UDAG loan program noted above.

3. Housing Development Action Grant (CFDA No. 14.174)

The Authority is the administrator of a Housing Development Action Grant (HDAG) loan issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD), similar to the UDAG loan noted above. The loan amount, recipient and payment terms are as follows:

1. Douglas Plaza Housing Company I Limited Partnership

   The loan term commenced on June 5, 1989 and the principal balance of the loan is due in lump sum at the end of the term. The term of the loan will run from the commencement date until the 20th anniversary of the achievement of a 50% occupancy rate of the project, as long as the recipient has maintained the required distribution of low income housing in the project and the Massachusetts Housing Finance Agency (MHFA) 1st mortgage remains outstanding. Otherwise, the term will extend to the date that either of those two conditions change. The applicable annual interest rate is 0% for years 1-4 starting on August 31, 1989, 1% for years 5-15, and 2% for the period starting with year 16 until the end of the loan term as described above. No principal repayments or interest payments have been made on the above loan at September 30, 1991. The outstanding balance of this loan at September 30, 1991 is $3,430,750.

4. Adjustments

The Authority has transferred to its general operating fund expenditures made under federal grant agreements that had either expired for time or that were cancelled due to conflicts with other neighborhood planning initiatives. Furthermore, the Authority has transferred from its general fund expenditures made under federal grant agreements, previously written off as uncollectible, as a result of subsequent collection from the grantor agency. These are shown as adjustments to accrued revenue on the Schedule of Federal Financial Assistance.

5. Other Program Income

Westland Avenue

During the year ended September 30, 1991, the Authority received from their custodial account and remitted directly to Westland Avenue Associates interest income totaling $139,070. This income is earned from securities purchased with a portion of the Western Avenue Associates UDAG totaling $1,775,000 and held by the Authority for the use of rent moderation and debt service by the Westland Avenue Associates project. The securities are to be remitted to the City of Boston upon repayment of the UDAG loan of $325,000 by the Developer.

Navy Yard Retail

In compliance with the UDAG agreement, Incubator Associates is required to pay $58,800 a year, for a period of thirty years commencing December 27, 1985, to the Authority as parking rent. Parking rent received is to be held in escrow by the Authority and periodically remitted to the City of Boston to fund activities eligible under Title I of the Housing and Community Development Act of 1974. During the year ended September 30, 1991, the Authority remitted $58,800 in parking rent receipts to the City of Boston. At September 30, 1991, $14,700 is payable to the City of Boston.

6. Contingency

The Bayside Exposition Center UDAG grant agreement stipulates the project be completed as of September 30, 1988. The entire project was completed in May 1991. Prior to completion, the Authority submitted an amendment request for a change in the use of Phase II UDAG funds and a time extension for Phase II which is currently under review at HUD. As noted in HUD's monitoring report issued June, 1989, the $215,000 allotted for Phase II will be subject to recapture by HUD in the event the request for an amendment to the UDAG grant agreement is not approved by HUD. The Boston Redevelopment Authority through the City of Boston has drawn down from HUD $1,392,737 of UDAG funds since September 30, 1988.

REPORT ON INTERNAL CONTROLS

Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority (the Authority) for the year ended September 30, 1991, and have issued our report thereon dated January 14, 1992. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget (OMB) Circular A-128, *Audits of State and Local Governments*. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

- Accounts Receivable/Accrued Revenue
- Cash Receipts
- Cash Disbursements
- Accounts Payable
- Payroll

Administrative Controls

- Political Activity
- Davis-Bacon Act
- Civil Rights
- Federal Financial Reports
- Drug Free Workplace
- Allowable Costs/Cost Principles
- Administrative Requirements

Specific Requirements

- Types of Services
- Eligibility
- Reporting
- Special Requirements

The management of the Authority is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

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Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended September 30, 1991, the Authority expended 90% of its total federal financial assistance under a major federal financial assistance program. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering nonmajor federal financial assistance programs of the Authority, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering nonmajor federal financial assistance programs of the Authority did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance program of the Authority.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs. However, our study and evaluation and our audit disclosed the following condition that we do not believe to be a material weakness in relation to the federal financial assistance program of the Authority, but requires corrective action.

HDAG and UDAG Semi-Annual Progress Reports

Our examination of the HDAG and UDAG semi-annual progress reports (CFDA No. 14.174 and 14.221) and review of the related internal administrative controls over preparation and filing disclosed that procedures did not appear to exist to ensure that the reports were accurate. Two of the five reports tested contained clerical errors.

We recommend that the Authority institute procedures to ensure that reports required under the HDAG and UDAG agreements are accurate.

This report is intended solely for use of management and federal financial assistance funding sources and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the authority, is a matter of public record.

Daniel Dennis + Company

January 14, 1992

REPORTS ON COMPLIANCE

Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have audited the Boston Redevelopment Authority (the Authority)'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking, reporting; and special tests and provisions that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1991. The management of the Boston Redevelopment Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major federal financial assistance program for the year ended September 30, 1991.

Daniel Dennis + Company

January 14, 1992

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Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have audited the Boston Redevelopment Authority (the Authority)'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking, reporting; and special tests and provisions that are applicable to its major federal financial assistance program, which is identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1991. The management of the Boston Redevelopment Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major federal financial assistance program for the year ended September 30, 1991.

Daniel Dennis + Company

January 14, 1992

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Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have applied procedures to test the Boston Redevelopment Authority (the Authority)'s compliance with the following requirements applicable to its major federal financial assistance program, which is identified in the schedule of federal financial assistance, for the year ended September 30, 1991: political activity, Davis-Bacon Act, civil rights, federal financial reports, drug-free workplace, allowable costs/cost principles and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's *Compliance Supplement for Single Audits of State and Local Governments*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied. in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements described below.

Our examination of the HDAG and UDAG semi-annual progress reports (CFDA No. 14.174 and 14.221) and review of the related internal administrative controls over preparation and filing disclosed that procedures did not appear to exist to ensure that the reports were accurate. Two of the five reports tested contained clerical errors.

We recommend that the Authority institute procedures to ensure that reports required under the HDAG and UDAG agreements are accurate.

This report is intended solely for use of management and federal financial assistance funding sources and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Authority, is a matter of public record.

Daniel Dennis & Company

January 14, 1992

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Boston Redevelopment Authority
Status of Prior Year Findings
September 30, 1991

There are no uncorrected significant or material findings from prior years' single audits that effect the current audit, except for weaknesses noted in the preparation of HDAG and UDAG Semi-Annual Progress reports as indicated in our Reports on Internal Controls and Compliance.

AUDITEE'S RESPONSE

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1990

Coopers
&Lybrand

Certified Public Accountants

BOSTON REDEVELOPMENT AUTHORITY

COMBINED FINANCIAL STATEMENTS

for the year ended September 30, 1990

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Coopers
&Lybrand

certified public accountants

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
Boston Redevelopment Authority:

We have audited the financial statements, as listed in the accompanying table of contents, of the Boston Redevelopment Authority as of September 30, 1990 and for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Boston Redevelopment Authority as of September 30, 1990 and the results of its operations and changes in fund balances and the changes in assets and liabilities - agency funds for the year then ended in conformity with generally accepted accounting principles.

Coopers & Lybrand

Boston, Massachusetts
August 16, 1991

BOSTON REDEVELOPMENT AUTHORITY

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1990

ASSETS	General Fund	Agency Funds	Project Funds	Account Groups: General Fixed Assets	Account Groups: General Long-Term Obligations	Interfund Eliminations	Combined Total (Memorandum Only)
Investments (Note C)	$5,174,952	$ 3,873,991	$ 3,560,224				$12,609,167
Restricted cash (Notes K and O)			2,118,151				2,118,151
Accounts receivable (net of allowance for bad debts of $248,451)	45,223	74,438	632,885				752,546
Billed and unbilled amounts due from federal, state and city (Notes F and K)	681	1,400,052	3,072,880				4,473,613
Accounts receivable disposition of development sites			7,833,290				7,833,290
Due from other funds	2,008,176	339,763	1,895,045			$(4,242,984)	-
Notes receivable/Housing Developments (Note G)		6,980,706	2,313,952				9,294,658
Notes receivable/UDAG and HDAG (Note G)		24,142,260					24,142,260
Property held for development (Note H)			14,322,775				14,322,775
Fixed assets, net (Note I)				$704,883			704,883
Other assets	325,797	974,811	92,322				1,392,930
Amounts to be provided for retirement of general long-term obligations					$2,087,763		2,087,763
Total assets	$7,554,829	$37,786,021	$35,841,524	$704,883	$2,087,763	$(4,242,984)	$79,732,036
LIABILITIES, OTHER CREDIT AND FUND BALANCES							
Long-term debt (Note H)			9,900,000				9,900,000
Accounts payable	3,745,274		230,780				3,976,054
Advances on contracts			837,294				837,294
Due to other funds		2,795,016	1,447,968			(4,242,984)	-
Retainage	2,613	12,929	326,582				342,124
Deposits (Note D)	240,702		112,639				353,341
Obligations under capitalized leases (Note J)					394,531		394,531
Vacation and sick leave (Note L)					1,693,232		1,693,232
Accrued liabilities	193,632						193,632
Other (Note K)			527,700				527,700
Deferred revenue (Note N)			7,813,238				7,813,238
Due to designated entities		9,062,447	202,571				9,265,018
Due to UDAG recipients		25,915,629					25,915,629
Total liabilities	4,182,221	37,786,021	21,398,772	-	2,087,763	(4,242,984)	61,211,793
Commitments and contingencies (Notes J and K)							
Other credit:							
Investment in general fixed assets				704,883			704,883
Fund balances:							
Designated for vacation and sick leave (Note L)	1,693,232						1,693,232
Designated for obligations under capitalized leases (Note J)	394,531						394,531
Designated for Neighborhood Housing Fund (Note O)			248,016				248,016
Designated for Escrow Linkage Fund (Notes K and O)			2,118,151				2,118,151
Designated for projects			12,076,585				12,076,585
Undesignated	1,284,845						1,284,845
Total other credit and fund balances	3,372,608	-	14,442,752	704,883	-	-	18,520,243
Total liabilities, other credit and fund balances	$7,554,829	$37,786,021	$35,841,524	$704,883	$2,087,763	$(4,242,984)	$79,732,036

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, OTHER CHARGES AND CHANGES IN FUND BALANCES

for the year ended September 30, 1990

	General Fund	Project Fund	Combined Total (Memorandum Only)
Revenues:			
Federal, state and city funding grants		$ 2,001,929	$ 2,001,929
Proceeds from disposition of development sites (Note D)		12,178,753	12,178,753
Rental income (Note F)		2,693,437	2,693,437
Interest income	$ 55,950	1,336,005	1,391,955
Other	29,199	105,674	134,873
Total revenues	85,149	18,315,798	18,400,947
Expenditures:			
Personnel		10,762,432	10,762,432
Fringe		3,336,387	3,336,387
Supplies and services	26,025	2,173,090	2,199,115
Contractual services	38,200	2,030,855	2,069,055
Capital outlays	2,000	1,573,084	1,575,084
Occupancy costs		1,305,638	1,305,638
Legal settlements (Note O)		429,011	429,011
Total expenditures	66,225	21,610,497	21,676,722
Revenue over/(under) expenditures before other charges	18,924	(3,294,699)	(3,275,775)
Other charges (Note O):			
Neighborhood Housing Fund Contributions		(1,561,984)	(1,561,984)
City of Boston - Urban Renewal Project Assistance		(1,000,000)	(1,000,000)
Mayor's Office of Neighborhood Services		(300,000)	(300,000)
Mayor's Office of Jobs & Community Services		(100,000)	(100,000)
Total other charges	-	(2,961,984)	(2,961,984)
Total revenue over/(under) expenditures and other charges	18,924	(6,256,683)	(6,237,759)
Fund balances, September 30, 1989	3,353,684	20,699,435	24,053,119
Fund balances, September 30, 1990	$3,372,608	$14,442,752	$17,815,360

The accompanying notes are an integral part of the combined financial statements.

BOSTON REDEVELOPMENT AUTHORITY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS

for the year ended September 30, 1990

	Balance, September 30, 1989	Additions	Deductions	Balance, September 30, 1990
ASSETS				
Investments	$ 4,290,841	$24,959,594	$25,376,444	$ 3,873,991
Accounts receivable	103,426	449,984	478,972	74,438
Billed amounts due from federal, state and city	566,250	4,543,365	3,709,615	1,400,000
Unbilled amounts due from federal, state and city	96,313	1,662	97,923	52
Notes receivable	35,003,496	12,033,738	15,914,268	31,122,966
Other assets	1,081,061		106,250	974,811
Due from other funds	366,747		26,984	339,763
Total assets	$41,508,134	$41,988,343	$45,710,456	$37,786,021
LIABILITIES				
Due to other funds	1,316,758	11,107,703	9,629,445	2,795,016
Retainage	106,468	48,414	141,953	12,929
Due to designated entities	40,084,908	15,777,900	20,884,732	34,978,076
Total liabilities	$41,508,134	$26,934,017	$30,656,130	$37,786,021

The accompanying notes are an integral part of the combined financial statements.

A. The Authority:

The Boston Redevelopment Authority (the "Authority") was established in 1957 pursuant to Chapter 121B, as amended, of the General Laws of Massachusetts to administer community development projects and to function as the planning agency of the City of Boston (the "City"). The Authority is governed by a five-member Board of Directors appointed for terms of five years.

B. Summary of Significant Accounting Policies:

A summary of significant accounting policies employed in preparation of the financial statements follows.

Fund Accounting

Financial activities are recorded in the funds and account groups described below. The financial operations of each fund are accounted for in separate self-balancing accounts which represent the fund's assets, liabilities, equity, revenues and expenditures. As the Authority is not legally required to adopt budgets for the General and Project funds, no comparison of budget versus actual results of operations have been presented in these combined financial statements.

General Fund

Transactions accounted for in the General Fund relate to revenues and expenditures not specifically restricted to development projects and to certain centralized cash management functions.

Agency Funds

Resources received and held by the Authority as an agent for other entities are accounted for in Agency Funds. These resources include Urban Development Action Grants (UDAGs) and funds for other housing initiatives which require the loan recipient to execute promissory notes to the Authority. Repayments of UDAG loans which are received by the Authority are periodically remitted to the City or other designated entities. Disposition proceeds are initially accounted for in the Project Funds and are transferred to the Agency Funds when the account payable, if any, to the designated entity is determined. Also included in the Agency Fund is activity related to the Neighborhood Housing Fund (see Note O).

Continued

Project Funds

Transactions accounted for in the Project Funds relate to resources obtained and used for specific identifiable development activities classified as projects. Individual projects may receive funding from several sources including federal and state grants, City capital funds, disposition proceeds and rental income. The Authority separately accounts for the revenues and expenditures under each community development project and funding source. For financial reporting purposes, projects have been combined.

Account Groups

The General Fixed Assets and General Long-Term Obligations Account Groups are used to establish control and accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Basis of Accounting

The accounts of the Authority are maintained and reported on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when measurable and available to finance operations during the year. Interest income, rental income and sale of development sites are recorded as revenues when earned. Revenues from federal and state reimbursement type grants and City capital borrowings are recorded at the earlier of receipt or when the related eligible expenditures are incurred.

Expenditures are recognized when obligations are incurred from receipt of goods and services.

Fixed Assets

Expenditures for equipment, and furniture and fixtures are recorded as supplies and services expenditures in the Project Funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The cost of such assets is capitalized in the General Fixed Assets Account Group.

Continued

Capital leases have been recorded in the General Fixed Assets and General Long-Term Obligations Account Groups at the present value of the minimum lease payments. Lease payments are recorded as expenditures on the due date; the portion of the payments applicable to principal is reported as a reduction of the capitalized lease obligation in the General Long-Term Obligations Account Group.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the fixed assets which are as follows:

Vehicles and maintenance equipment	3 years
Furniture and fixtures	5 years
Data processing equipment	5 years

Depreciation and amortization is reported as a reduction in the General Fixed Assets Account Group.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset life are not capitalized.

Property

The Authority owns properties within the City which were acquired in prior years. These properties were acquired in connection with its redevelopment and housing initiative activities and recorded as capital outlays expenditures in the Project Funds in the year acquired and therefore are not included in the General Fixed Asset Account Group.

Vacation and Sick Leave

Employees earn vacation and sick leave as they provide services. They may accumulate (subject to certain limitations) unused vacation and sick leave earned. Upon retirement, termination or death, employees may be compensated for accumulated unused vacation up to twice their current allowable annual vacation leave. Sick leave accumulates at the rate of 1 1/4 days for each calendar month with no maximum limit. Upon termination, employees with fifteen or more years of service may receive in cash a portion of their accrued but unused sick leave in accordance with an established formula.

The liability related to unused vacation and sick time is recorded in the General Long-Term Obligations Account Group (GLTOAG). The amount recorded in the GLTOAG is the unused days earned at the current rate of pay.

Continued

Pension

The Authority contributes to the contributory State-Boston Retirement System, a multiple-employer public employee retirement system administered by the City. Pension information is provided in the financial statements of the City which includes the Authority.

The Authority records retirement costs on a pay-as-you-go basis which, in accordance with the Laws of The Commonwealth of Massachusetts, is also the method used by the Authority to fund retirement costs.

Unbilled Accounts Receivable

Unbilled accounts receivable arise from certain Authority activities. Unbilled receivables are recorded for expenses incurred which are reimbursable under specific grants and not yet billed. Retainage withheld from payments on construction and engineering contracts are not reimbursable by grant funding sources until paid and, therefore, these amounts are recorded as unbilled receivables. Liabilities for land taking are recorded when they become estimable and, if reimbursable, unbilled receivables are recorded. Unbilled accounts receivables may not be billed and collected within one year.

Combined Total - Memorandum Only

Combined totals on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

C. Investments:

Included in investments are: deposits placed with the Authority by developers (see Note D), funds required to be held in investments under contractual agreements, and other funds received in connection with projects.

Continued

The Authority follows the policy of investing in securities of the U.S. Government and its agencies as well as domestic corporate debt instruments which are rated "A" or better by Standard & Poor's or Moody's corporate bond rating services. All investments are held in the name of the Authority.

All investments are carried at cost. Premiums and discounts on debt securities are amortized to maturity. The Authority includes accrued interest receivable in investments. The aggregate market value of investments held at September 30, 1990 was $14,721,333.

At September 30, 1990, $9,828,358 was covered by federal and state depository insurance or by collateral held by the Authority's agent in the Authority's name and $4,898,960 was uninsured and uncollateralized and represents money in an interest-bearing working capital account.

Investments, including restricted cash (see Note K), as of September 30, 1990 consist of:

Type	Amortized Cost	Interest Rate	Maturity
Daily Money Market	$ 7,195,898	5.5% to 7.6%	
Certificates of Deposit	2,558,487	7.75% to 8.0%	10/5/90 to 10/29/90
U.S. Government Treasury Bills	407,369	7.27% to 7.4%	10/25/90 to 11/29/90
Corporate Debt Securities	508,290	8.9%	11/1/00
U.S. Government Agency	3,982,706	8.3% to 9.25%	12/26/90 to 4/27/92
Investments at cost	14,652,750		
Accrued interest receivable	74,568		
	$14,727,318		

D. Deposits:

A portion of the investments held in the General Fund at September 30, 1990 relates to development deposits placed with the Authority in connection with specific or development projects. Such deposits are generally subject to escrow agreements and, accordingly, have been credited to the deposit account on the balance sheet. As a result of a detailed review of deposit agreements the Authority has recognized $1,522,482 of disposition proceeds revenue in 1990. These deposits either expired for time or were recognized as fees.

Continued

E. Related Party Transactions:

City of Boston

During the year ended September 30, 1990, the City provided financial resources to the Authority, as follows:

	(in thousands)
Urban Development Action Grants (UDAG)	$2,377
City capital appropriations	1,029
Housing Development Grants (HODAG)	704
Community Development Action Grants (CDAG)	335
Other federal, state and city grants	1,671
	$6,116

The City also provides office space to the Authority at no charge.

F. Billed and Unbilled Amounts Due From Federal, State and City:

Billed and unbilled amounts due from federal, state and city are project expenditures which are reimbursable under federal, state and city funding sources. A summary of billed and unbilled amounts due from federal, state and city at September 30, 1990 is as follows:

	General	Agency	Project
Billed amounts due from federal, state and city	$681	$1,400,000	$1,322,515
Unbilled amounts due from federal, state and city		52	1,426,365
Unbilled court award reimbursements			324,000
	$681	$1,400,052	$3,072,880

Continued

Project Funds

Included in billed amounts due from federal, state and city is a net receivable of $1,152,511 from the Boston Water and Sewer Commission (BWSC), an agency of the City of Boston. This receivable represents the net amount due to the Authority for work performed primarily from 1977 through 1983 for BWSC in connection with grants from the Environmental Protection Agency (EPA) and the Massachusetts Department of Water Pollution Control (MDWPC). The Authority had provided an allowance of $900,000 for this receivable which was recorded as an operating expense in prior years. In June 1991, the Authority was paid $1,152,511 by the BWSC which represented their share of the final payment of EPA funds. The Authority was able to recapture $470,000 of the $900,000 previously expensed and has reflected it as a reduction of operating expenses in the project fund for the year ended September 30, 1990.

In connection with various capital projects for the City, the Authority incurred expenditures in the amount of $588,756 which are reimbursable under previously approved loan orders with the City's Capital Planning Office (CPO). The Authority plans to bill and collect this amount upon notification from the CPO that such amounts have been properly encumbered. These amounts are included in the unbilled amounts as of September 30, 1990.

In addition, the Authority has recorded a liability associated with eminent domain cases resulting from the acquisition of properties (see Note K). Certain of these cases are reimbursable from the City. The Authority has recorded as unbilled receivables due from the City $324,000 as of September 30, 1990, which are associated with these eminent domain cases and reimbursable under loan orders and other agreements with the City.

The Authority determined, based on a current analysis by legal counsel, that the payments received from certain land leases in the amount of $1,001,294 for the periods 1985 through 1990 previously recorded in the Urban Renewal Project R-29 account as amounts due to designated entity, could be used by the Authority as project income in carrying out the Authority's responsibilities in urban renewal, planning and community development and housing programs in the City. Therefore, such amount has been included in rental income for the year ended September 30, 1990.

Continued

G. Notes Receivable:

Notes receivable in the Agency Fund are comprised of funds advanced to developers under various UDAG and housing initiative agreements. The liabilities to the funding sources are reflected in due to designated entities. Notes receivable in the Project Funds are comprised of funds due from nonprofit development projects.

H. Property Held for Development:

On October 9, 1987, the Authority purchased the "Custom House Tower" from the federal government for $11,000,000. As part of the purchase agreement, the federal government provided a loan to the Authority in the amount of $9,900,000 at an annual interest rate of 11%. The terms of the loan require payment of interest only in quarterly installments of $272,250 for the period January 1988 through October 1992 and quarterly payments of principal and interest of $650,150 for the period January 1993 to October 1997. The Authority has capitalized interest incurred on the project of $3,239,775 including $1,089,000 in 1990.

The Authority is currently working with the designated developer to obtain financing arrangements and expects to finalize these arrangements by December 1991. The Authority along with the designated developer has devoted significant effort on various predevelopment activities such as obtaining necessary project permits and approvals from various federal, state and city agencies.

The Authority expects to recover the full amount capitalized on the project of approximately $14,300,000 through the developer's financing arrangements.

Continued

I. Fixed Assets:

The following is a summary of changes in the General Fixed Assets Account Group:

	Balance, October 1, 1989	Current Year Activity	Balances, September 30, 1990
Furniture and fixtures	$1,458,408	$ 1,874	$1,460,282
Vehicles and maintenance equipment	61,999	-	61,999
Data processing equipment	580,415	3,964	584,379
	2,100,822	5,838	2,106,660
Less accumulated depreciation and amortization	(1,026,991)	(374,786)	(1,401,777)
Fixed assets, net	$1,073,831	$(368,948)	$ 704,883

Equipment leased under capital leases recorded in the General Fixed Assets Account Group as of September 30, 1990 consist of (see Note J):

Furniture, fixtures and equipment	$934,660
Less accumulated amortization	(551,108)
Leased fixed assets, net of amortization	$383,552

J. Commitments:

At September 30, 1990, the Authority was committed under contracts for various funded projects in the aggregate amount of approximately $7,000,000.

The Authority leases office space located in the Charlestown Navy Yard through 1992. These operating lease agreements contain renewal options and provisions to pay operating expenses over base amounts. The future minimum payments under these leases as of September 30, 1990 are $1,279,000 for fiscal year ending 1991 and $675,000 for fiscal year 1992.

The Authority has entered into various equipment lease agreements which qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments (see Note I).

Continued

The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments recorded in the General Long-Term Obligations Account Group at September 30, 1990:

Fiscal year ending September 30,	
1991	$173,257
1992	159,459
1993	79,507
1994	39,231
Total lease payments	451,454
Less amount representing interest	56,923
Present value of future minimum lease payments	$394,531

K. Contingencies:

The Authority is involved in lawsuits concerning routine contract matters and public liability tort actions, the majority of which are covered by Contractors, Homeowners, Landlords and Tenants Liability insurance policies. In addition, the Authority is involved in land damage cases resulting from the acquisition of properties as a result of exercising its powers of eminent domain.

Based on information supplied by the Authority's counsel, the accompanying financial statements include estimates of probable future liabilities of $527,700 relating to the aforementioned lawsuits, and unbilled accounts receivable have been recorded for the portion of such liabilities which are anticipated to be reimbursed. (See Note F.)

The Authority receives various grants from federal, state, city and other agencies which must be expended in compliance with the terms and conditions of the grants. These expenditures are subject to audit by the grantor agency and any disallowed expenditures could become either a reduction of future grants or a liability.

Continued

In December 1989, the Authority entered into agreements with two insurance companies whereby the insurance companies advanced total linkage payments of certain developers to the City for housing creation. Under the agreements, the Authority established new restrictive bank accounts totaling $2,118,151, which can be used by the insurance companies in case of default or challenge by the developers (see Note O).

L. Changes in Vacation, Sick Leave and Retirement Costs:

Changes in the vacation, sick leave and retirement costs reflected in the General Long-Term Obligations Account Group for the fiscal year ended September 30, 1990 are as follows:

	September 30, 1989	Additions	Reductions	September 30, 1990
Vacation and sick leave	$1,668,857	$2,089,688	$2,065,313	$1,693,232

M. Retirement Costs:

All full-time Authority employees are eligible to participate in the State-Boston Retirement System (the "System"). The System provides for retirement allowance benefits up to a maximum of 80% of an employee's highest three-year average annual rate of regular compensation. Benefit payments are based upon an employee's age, length of creditable service, level of compensation, and group classification. Employees become vested after 10 years of creditable service. A retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service.

Employee contributions are based upon a percentage of the employee's base pay. The Authority is annually assessed its proportionate share of the retirement costs of the System by the City. The aggregate entry age normal cost method was used to compute the minimum required contribution by the Authority. During the year ended September 30, 1990, the Authority contributed and recorded as an expenditure in the Project Fund $1,875,213. Also, the Authority employees contributed $617,433 in fiscal 1990. The Authority's covered payroll for employees who participate in the System as of the June 30, 1990 actuarial valuation date was $10,245,514. Total payroll for the Authority employees was $10,777,127 for the 12 months ended June 30, 1990.

Continued

The Authority's pension benefit obligation was computed as part of the City's actuarial valuation performed as of June 30, 1990. The total pension obligation and net assets available for benefits applicable to the Authority's employees were $16,971,000 and $9,267,000 at June 30, 1990, respectively. The Authority's actuarial pension expense consisted of $316,000 employer normal cost and $715,000 amortization of the unfunded actuarial liability. At June 30, 1990, the unfunded pension benefit obligation was $6,045,000, determined as follows:

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee benefit systems and employers.

Pension benefit obligation:	
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	$ 5,623,000
Current employees:	
Employee financed	5,236,000
Employer financed - vested	1,258,000
Employer financed - nonvested	3,195,000
COLA benefits reimbursable by The Commonwealth of Massachusetts	1,659,000
Total pension benefit obligation	16,971,000
Net assets available for benefits	9,267,000
Unfunded pension benefit obligation	7,704,000
Effect of COLA	1,659,000
Unfunded pension benefit obligation, net of COLA	$ 6,045,000

Continued

Significant actuarial assumptions used in the valuation include (1) a rate of return on the investment of present and future assets of 10% a year compounded annually, (2) projected salary increases of 6% a year compounded annually, attributed to inflation, and seniority/merit, (3) a cost of living increase of 3% annually, and (4) removal of the $30,000 compensation cap.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed above.

Plan Year*	(1) Net Assets Available for Benefits	(2) Pension Benefit Obligation, Net of COLA	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) - (2)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Annual Covered Payroll (4) ÷ (5)
1990	$9,267,000	$15,312,000	61%	$6,045,000	$10,245,514	59%
1989	8,374,000	14,373,000	58%	5,999,000	10,483,921	57%
1988	9,739,000	16,529,699	59%	6,790,699	10,357,389	66%

*Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due prior to 1988 is not available.

N. Deferred Revenue

Revenues related to certain land disposition transactions are recorded as deferred revenues until such time as the transactions progress to the point that the Authority has realized the revenue. In 1990 the Authority entered into several land disposition transactions which resulted in an additional $4,306,500 of deferred revenue. Total deferred revenue as of September 30, 1990 is $7,813,238 which is expected to be realized in subsequent years.

Continued

O. Designation of Project Fund Balance:

During fiscal 1989 and 1990, the Authority designated a portion of the Authority's project fund balance to specific program initiatives. These designated accounts have been established to indicate expected plans or commitments for these resources in a future period. Changes in the designated project funds for the fiscal year ended September 30, 1990 are as follows:

Program	September 30, 1989	1990 Designation	1990 Disbursements	September 30, 1990
Neighborhood Housing Fund	$1,000,000	$ 810,000	$1,561,984	$ 248,016
Escrow Linkage Fund	2,118,151	-	-	2,118,151
Urban Renewal Project Assistance	1,000,000	-	1,000,000	-
Jobs, Community & Neighborhood	-	400,000	400,000	-
Court Awards, Litigation & Relocations	-	429,011	429,011	-
Total	$4,118,151	$1,639,011	$3,390,995	$2,366,167

Neighborhood Housing Fund Designation

The Neighborhood Housing Fund was established to provide small grants, bridge loans, and technical assistance to Boston's community-based, nonprofit development entities and to other neighborhood based development entities for the production of affordable housing. The fund was designated as the recipient of voluntary contributions made to the Authority for the purpose of promoting neighborhood housing, and of such other funds as the Authority may receive or may allocate for this purpose. As of September 30, 1990, the Board has designated an aggregate amount of $1,810,000 of the Authority's fund balance to the Neighborhood Housing Fund. During fiscal 1990, the Authority paid $1,561,984 as their contribution to the Neighborhood Housing Fund.

Continued

Escrow Linkage Fund Designation

On July 29, 1989, the Board authorized a designation of $2,118,151 of fund balance to escrow linkage agreements with Metropolitan Life Insurance Company and the Prudential Insurance Company of America. These agreements provide for the advancing of $13,348,000 of future Development Impact Projects (DIP) payments to the City's "Housing Trust" for housing creation. This $13,348,000 represents the present value of future DIP payments. These agreements contain the following:

1. The Metropolitan Life Insurance Company loan is based on 10 DIP agreements, valued at $13,739,940 creating 525 housing units of which 372 or 71% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $1,307,735 will be established by the Authority, representing one year of debt service to guarantee against possible default of payments;

   An escrow account in the amount of $50,000 will be reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

2. The Prudential Insurance Company of America will loan cash against two DIP agreements valued at $5,525,000. These will support two Housing Creation proposals producing 504 units of which 450 or 89% will be affordable as defined by the agreements. The business terms are as follows:

   An escrow account in the amount of $460,416 will be established by the Authority, representing one year of debt service to guarantee against possible default of payments;

   An escrow account in the amount of $50,000 will be specifically reserved by the Authority for enforcing payment by a defaulting contributor under the Linkage program.

   A $250,000 litigation reserve escrow account will be established to demonstrate the Authority's ability to pursue legal action in the event of a constitutional or other challenge to the Linkage program itself. The escrow account would cover both insurance companies' agreements.

Continued

Urban Renewal Project Assistance

On September 28, 1989, the Board of Directors authorized the Authority to designate $1,000,000 of fund balance for the purpose of contracting with the City of Boston Public Works Department for work in designated urban renewal project areas. This amount was paid in fiscal year 1990.

Jobs, Community and Neighborhood Services

The Authority's Board of Directors authorized the designation of $300,000 of fund balance for the Mayor's Office of Neighborhood Services and $100,000 for the Mayor's Office of Jobs and Community Services. The designation for the neighborhood services was to ensure maximum community review of development projects pending before the Authority which impact the community. The jobs and community services designation was to ensure implementation and monitor compliance with the Mayor's Executive Order of the Boston Resident's Job Policy. These amounts were paid in fiscal year 1990.

Court Awards, Litigation and Relocations

The Authority's Board of Directors authorized the expenditure of and designation of $429,011 of fund balance for judgments against the BRA for 1981 sewer flooding damages ($311,859) and for relocation payments for redevelopment ($117,152).

P. Deferred Compensation:

The Commonwealth of Massachusetts offers the Authority's employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of The Commonwealth of Massachusetts (without being restricted to the provisions of benefits under the plan), subject only to the claims of The Commonwealth of Massachusetts' general creditors. Participants' rights under the plan are equal to those of general creditors of The Commonwealth of Massachusetts in an amount equal to the fair market value of the deferred account for each participant.

BOSTON REDEVELOPMENT AUTHORITY
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
AND AUDITORS' REPORTS
FOR THE YEAR ENDED
SEPTEMBER 30, 1990

Boston Redevelopment Authority
Boston, Massachusetts

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Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

Independent Auditors' Report

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority for the year ended September 30, 1990. This schedule is the responsibility of the Authority's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Federal Financial Assistance is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying schedule was prepared for the purpose of complying with the Single Audit Act of 1984 and is not intended to be a complete presentation of the Boston Redevelopment Authority's accrued revenue balances, cash receipts, and expenditures accrued.

In our opinion, the schedule referred to above presents fairly, in all material respects, the accrued revenue balances of each of the various Federal grant programs of the Boston Redevelopment Authority as of September 30, 1990, and the cash receipts and expenditures recognized for the year then ended, in conformity with generally accepted accounting principles.

Daniel Dennis & Company

February 15, 1991

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Boston Redevelopment Authority
Schedule of Federal Financial Assistance
For the Year Ended September 30, 1990

Federal Grantor/Projects	CFDA Number	Accrued Revenue Oct. 1, 1989	Adjustments	Cash Receipts	Expenditures	Accrued Revenue September 30, 1990
Department of Housing and Urban Development (Passed through the City of Boston)						
Community Planning and Development						
Housing Development Action Grant (Major) (Note 3):						
Douglas Plaza	14.174	$ 336,155	$ -	$1,040,396	$ 704,241	$ -
Community Development Block Grants/Entitlement Grants (Major):						
Urgent Needs Super	14.218	1,801,441	-	2,087,435	420,866	134,872
Urban Development Action Grants (Major) (Notes 2 & 5):	14.221					
Harbor Point Apartments		378,000	-	1,134,634	2,156,634	1,400,000
Bayside Exposition Center (Notes 4 & 6)		96,312	3,504	97,914	5,158	52
Winslow Court		-	-	165,000	165,000	-
Navy Yard Retail		-	-	50,000	50,000	-
Subtotal		474,312	3,504	1,447,548	2,376,792	1,400,052
Total		$2,611,908	$ 3,504	$4,575,379	$3,501,899	$1,534,924
National Foundation on the Arts and the Humanities						
National Endowment for the Arts: Office of Arts & Humanities (Note 4)	45.013	$ 22,615	$ 10,765	$ -	$ 150	$ 12,000
Grand total		$2,634,523	$ 14,269	$4,575,379	$3,502,049	$1,546,924

See accompanying notes to financial statements.

Boston Redevelopment Authority
Notes to Schedule of Federal Financial Assistance
For the Year Ended September 30, 1990

1. Summary of Significant Accounting Policies

The accompanying schedule includes the accounts of the Boston Redevelopment Authority Federal Grant Programs and has been prepared on the accrual basis of accounting, whereby expenditures are recognized when incurred. Accrued revenue represents program costs incurred which have not yet been reimbursed by the grantor agency.

2. Urban Development Action Grants (CFDA No. 14.221)

The Boston Redevelopment Authority (The Authority) is the administrator of certain Urban Development Action Grant (UDAG) loans (listed below) issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD). The Authority receives the repayment of principal and interest from these developers on a monthly basis and remits the funds to the City of Boston. The loan amount, recipient and payment terms are as follows:

1. Harbor Point Apartments Co. Limited Partnership

The loan repayment commences January 1, 1994 with monthly installments in arrears based on a 40 year amortization schedule. The applicable interest rates are 0% for loan years 1-3, 5% for loan years 4-9, and 8% for the remaining term of the loan. Lump sum contingent interest payments are due at the end of each operational year equal to 10% of net annual cash flow of the project. Repayments will be made only after making cash distributions permitted by the Massachusetts Housing Finance Authority. If repayments are not made, they are considered due as part of a balloon payment of all outstanding principal and accrued interest on April 30, 2020.

2. Building 103 Associates (Anchorage Apartments)

The 30 year loan term commenced on April 15, 1986 and the outstanding principal is due in a balloon payment on April 15, 2016. The applicable interest rates for the loan term are 0% for years 1-5 and 5% compounded semiannually for years 6-30. Contingent interest will accrue if the project accepts a section 8 (National Housing Act of 1937) or State 707 (Massachusetts Acts of 1966) certificate holder or any individual receiving a similar form of rental assistance as a tenant in the amount of the difference between rental payments

received by the project with regard to the certificate holder and the aggregate payments made by the holder of the certificate. All interest and contingent interest is deferred and considered due on the maturity of the note.

3. Chinese Economic Development Council, Inc. (the Council) and the Boylston Development Group Limited Partnership (Boylston Building)

   The loan principal repayment commences May 1, 1989. The outstanding principal balance accrued interest for the period of November 13, 1984 through January 1, 1988 at a simple interest rate of 5%. The accrued interest was added to the outstanding principal balance at that time. As of January 1, 1988, interest began to accrue on the new balance at 5% simple interest per year, payable monthly in arrears beginning January 31, 1988. When the principal repayment commences it shall be paid in annual installments equal to the annual net cash flow as defined in the loan agreement not to exceed $184,000. The outstanding principal and interest is due in a balloon payment in March, 1995.

   As of September 30, 1990, the Council and the Partnership were in default of the agreement owing $123,186 for interest payments in arrears, and an undeterminable amount of principal payments. On May 1, 1989 annual installments were scheduled to begin, based on annual net cash flow as defined in the agreement, however, no payments have been received. The Authority is currently working with the Council and the Partnership to restructure the note.

4. Westland Avenue Associates

   The loan is interest free and the entire principal balance is due in a balloon payment on the forty year anniversary of the initial advance of funds to the borrower (2021).

5. North End Community Health Committee, Inc.

   A 13% interest bearing loan with monthly interest payments of $4,164, principal due in a balloon payment in October, 2021.

6. Urban Investment and Development Company

The loan principal repayment commences on February 1, 1991 based on a twenty year amortization with interest payments having commenced on February 1, 1983. The applicable interest rate is 5% annually for years 1-7 and 10% plus contingent escalated interest for years 8-28. Interest paid in the aggregate cannot exceed $500,000 for years 1-4 and $750,000 for years 5-7. Any interest accrued but not paid because of the above constraints will be compounded monthly at 5% per annum and added to the principal as of the beginning of the eighth year of the loan. At the end of each calendar year, beginning with year 8, an additional lump sum interest will be paid equal to 1% of the outstanding principal if the project has had a net cash flow of at least $12,700,000 per year. The additional lump sum amount will increase by 1% for each successive year the net cash flow constraints are met, not to exceed 5% in total. The note is due February 1, 2011.

As of January 1, 1990, Urban Investment and Development Company exercised the option to prepay their note without penalty. The outstanding principle balance of $14,997,501, together with $513,871 of unpaid accrued interest and $62,490 of current monthly interest due at that time was paid in accordance with the loan agreement.

7. Teradyne

The loan has a 3% annual interest rate payable semi-annually. In the first four years of the loan term, interest totaling $540,000 was deferred and added to the principal balance. The annual interest payment for years 5-30 on the new principal balance is $151,200. This balance is due on April 1, 2013 in a balloon payment of $5,040,000.

8. Winslow Court

The UDAG grant allows for a maximum of twenty four second mortgage loans of $15,000 each to MHFA qualified purchasers of condominium units on the project site. Each mortgage has a ten-year term commencing upon the execution of closing documents. The mortgages are interest free, and will be forgiven at maturity if the condominium unit purchased has not been refinanced, sold, transferred, rented or otherwise disposed of during the term of the loan. In the event that purchaser rents the condominium unit, the principal amount of the UDAG loan shall become immediately due and payable. On September 30, 1990 there were eleven $15,000 second mortgage loans outstanding.

Loan balances for the years ended September 30, 1990 and 1989, and interest payments received by the Authority for the year ended September 30, 1990 were as follows:

Borrower	Principal Balance @ 9/30/89	Principal Balance @ 9/30/90	Interest Payments
Harbor Point Apartments Co. Limited Partnership	$ 9,843,366	$12,000,000	$ -
Building 103 Associates	1,649,650	1,649,650	-
Chinese Economic Development Council, Inc. & Boylston Development Group Limited Partnership	1,231,859	1,231,859	-
Westland Avenue Associates	325,000	325,000	-
North End Community Health Committee, Inc.	385,770	385,770	49,970
Urban Investment and Development Co.	14,997,501	-	741,625
Teradyne	4,500,000	5,040,000	151,200
Winslow Court	-	165,000	-
Total	$32,933,146	$20,797,279	$ 942,795

The Authority has remitted $1,049,555 of UDAG loan interest payments received and bank account interest to the City of Boston, in addition to the Urban Investment and Development Co. principal balance of $14,997,501, during the year ended September 30, 1990. Loan interest totaling $12,492 collected by the Authority and bank account interest totaling $339 is payable to the City of Boston as of September 30, 1990.

The Bayside Exposition Center grant agreement stipulates that these grant funds be used for City of Boston roadway improvements. This grant is not included in the UDAG loan program noted above.

The Navy Yard Retail grant agreement stipulates that $50,000 of the grant funds be used by the Authority to fund administrative costs associated with the project.

3. Housing Development Action Grant (CFDA No. 14.174)

The Authority is the administrator of a Housing Development Action Grant (HDAG) loan issued by the City of Boston to local developers from grant funds received from the Department of Housing and Urban Development (HUD), similar to the UDAG loan noted above. The loan amount, recipient and payment terms are as follows:

1. Douglas Plaza Housing Company I Limited Partnership

The loan term commenced on June 5, 1989 and the principal balance of the loan is due in lump sum at the end of the term. The term of the loan will run from the commencement date until the 20th anniversary of the achievement of a 50% occupancy rate of the project, unless the recipient has maintained the required distribution of low income housing in the project and the Massachusetts Housing Finance Agency (MHFA) 1st mortgage remains outstanding. Then the term will extend to the date that either of those two conditions change. The applicable annual interest rate is 0% for years 1-4 starting on August 31, 1989, 1% for years 5-15, and 2% for the period starting with year 16 until the end of the loan term as described above. No principal repayments or interest payments have been made on the above loan at September 30, 1990. The outstanding balance of this loan at September 30, 1990 is $3,344,981.

4. Adjustments

The Authority has transferred to its general operating fund expenditures made under federal grant agreements that had either expired for time or that were cancelled due to conflicts with other neighborhood planning initiatives. These are shown as adjustments to accrued revenue on the Schedule of Federal Financial Assistance.

5. Other Program Income

Westland Avenue

During the year ended September 30, 1990, the Authority received from their custodial account and remitted directly to Westland Avenue Associates interest income totaling $138,512. This income is earned from securities purchased with a portion of the Western Avenue Associates UDAG

totaling $1,775,000 and held by the Authority for the use of rent moderation and debt service by the Westland Avenue Associates project. The securities are to be remitted to the City of Boston upon repayment of the UDAG loan of $325,000 by the Developer.

Navy Yard Retail

In compliance with the UDAG agreement, Incubator Associates is required to pay $58,800 a year, for a period of thirty years commencing December 27, 1985, to the Authority as parking rent. Parking rent received is to be held in escrow by the Authority and periodically remitted to the City of Boston to fund activities eligible under Title I of the Housing and Community Development Act of 1974. During the year ended September 30, 1990 the Authority remitted $264,600 in parking rent receipts to the City of Boston, including $220,500 held in escrow as of October 1, 1989. At September 30, 1990, $14,700 is payable to the City of Boston.

6. Contingency

The Bayside Exposition Center grant agreement stipulates Phase II (Day Boulevard Connector) be completed as of September 30, 1988. Phase II was completed in December, 1989. Prior to completion, the Authority submitted a request for time extension which is currently under review at HUD. As noted in HUD's monitoring report issued June, 1989, the $215,000 allotted for Phase II will be subject to recapture by HUD in the event the request for extension is not approved.

Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have audited the Schedule of Federal Financial Assistance of the Boston Redevelopment Authority (the Authority) for the year ended September 30, 1990, and have issued our report thereon dated February 15, 1991. As part of our audit, we made a study and evaluation of the internal control systems, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, the Single Audit Act of 1984, and the provisions of Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories:

Accounting Controls

. Accounts Receivable/Accrued Revenue
. Cash Receipts
. Cash Disbursements
. Accounts Payable
. Payroll

Administrative Controls

. Political Activity
. Davis-Bacon Act
. Civil Rights
. Federal Financial Reports
. Drug Free Workplace
. Allowable Costs/Cost Principles
. Administrative Requirements

Specific Requirements

. Types of Services
. Eligibility
. Reporting
. Special Requirements

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The management of the Authority is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal financial assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data is obtained, maintained, and fairly disclosed in reports.

Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended September 30, 1990, the Authority expended 99.9% of its total federal financial assistance under major federal financial assistance programs. With respect to internal control systems used in administering major federal financial assistance programs, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance program of the Authority, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance program of the Authority did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance programs of the Authority. Further, we do not express an opinion on the internal control systems used in administering the major federal financial assistance programs of the Authority.

Also, our audit, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems used solely in administering nonmajor federal financial assistance programs. However, our study and evaluation and our audit disclosed the following condition that we do not believe to be a material weakness in relation to the federal financial assistance programs of the Authority, but requires corrective action.

HDAG and UDAG Semi-Annual Progress Reports

Our examination of the HDAG and UDAG semi-annual progress reports (CFDA No. 14.174 and 14.221) and review of the related internal administrative controls over preparation and filing disclosed that procedures did not appear to exist to ensure that the reports were accurate and supported by source documentation. For all ten reports tested, the financial information was not supported by source documentation.

We recommend that the Authority institute procedures to ensure that reports required under the HDAG and UDAG agreements are accurate and adequately supported.

This report is intended solely for use of management and federal financial assistance funding sources and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the authority, is a matter of public record.

Daniel Dennies + Company

February 15, 1991

REPORTS ON COMPLIANCE

Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have audited the Boston Redevelopment Authority (the Authority)'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking, reporting; and special tests and provisions that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended September 30, 1990. The management of the Boston Redevelopment Authority is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures did not disclose any immaterial instances of noncompliance with the requirements referred to above.

In our opinion, the Authority complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major federal financial assistance programs for the year ended September 30, 1990.

Daniel Dennis & Company

February 15, 1991

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Daniel Dennis & Company
Certified Public Accountants

Board of Directors
Boston Redevelopment Authority

We have applied procedures to test the Boston Redevelopment Authority (the Authority)'s compliance with the following requirements applicable to each of its major federal financial assistance programs, which are identified in the schedule of federal financial assistance, for the year ended September 30, 1990: political activity, Davis-Bacon Act, civil rights, federal financial reports, drug-free workplace, allowable costs/cost principles and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Authority's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the first paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Authority had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed an immaterial instance of noncompliance with those requirements described below.

Our examination of the HDAG and UDAG semi-annual progress reports (CFDA No. 14.174 and 14.221) and review of the related internal administrative controls over preparation and filing disclosed that procedures did not appear to exist to ensure that the reports were accurate and supported by source documentation. For all ten reports tested, the financial information was not supported by source documentation.

We recommend that the Authority institute procedures to ensure that reports required under the HDAG and UDAG agreements are accurate and adequately supported.

This report is intended solely for use of management and federal financial assistance funding sources and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Authority, is a matter of public record.

Daniel Dennis + Company

February 15, 1991

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Boston Redevelopment Authority
Status of Prior Year Findings
September 30, 1990

There are no uncorrected significant or material findings from prior years' single audits that effect the current audit, except for weaknesses noted in the preparation of HDAG and UDAG Semi-Annual Progress reports as indicated in our Reports on Internal Controls and Compliance.

AUDITEE'S RESPONSE

BOSTON
REDEVELOPMENT
AUTHORITY

[illegible]mond L. Flynn

Stephen Coyle
Director

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UDAG Semi-Annual Progress Reports

To ensure that semi-annual HDAG and UDAG progress reports reconcile to source documentation the Authority has made arrangements with the Public Facilities Department to obtain a copy of the final reports. The Public Facilities Department currently completes preliminary semi-annual progress reports and files them with H.U.D.

This reconciliation is part of the Grant Coordinator's responsibility.

Report Binder

Stock No./Color

80571	Black
80572	Lt. Blue
80573	Dk. Blue
80578	Rust
80579	Exec. Red

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